

JPRS-CAR-93-015

5 March 1993



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# ***JPRS Report***

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# China

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### Liu Xiaobo Interviews Wang Shuo

93CM0164A Hong Kong CHENG MING

[CONTENDING] in Chinese No 1, 1 Jan 93 pp 72-74

[Interview with Wang Shuo by Liu Xiaobo (0491 2556 3134); in Beijing 23 September: "Record of Wang Shuo Interview"]

[Text] *Editor's Note: This article is part of the record of an interview by famous mainland literary critic Liu Xiaobo who was jailed in the 4 June incident, after his release with now welcome popular novelist Wang Shuo. The interview took place on 23 September 1992 in the Beijing, Xibahe home of Wang Shuo. [end editor's note]*

Your (Wang Shuo's) success has a more deep-level cause; you use mockery to engage in rebellion at two levels. One is rebellion against orthodox Mao Zedong style ideology and the other is a rebellion against the value system established by educated Chinese people.

#### Clashing With Educated People Causing Trouble

[Liu Xiaobo (hereafter Liu)] You are the most commercialized, most popular writer in the mainland, and rapidly becoming very hot. You have put out more than a million books. It is not only your novels, but you yourself. When you are on television or in the papers, your every word and every line has star quality and becomes part of popular culture, including your recently published book *I Am Wang Shuo*. They all are best sellers. You yourself have become the best salesman and agent for your novels.

Everyone says that your works are "ruffian literature" or "hoodlum literature." The derogatory sense of this appellation is obvious, but a great many people do not know how to conceive of anything any deeper. I think that your being hot is related to China's special reality. It can be said that China does not have a noble tradition. China's nobility historically has been some educated people. Their standing out culturally did not have to completely conform to their value standards. You need only rely on your own literary talent to stand out and become a writer. But in other aspects you also are completely unlike educated people. You not only do not follow educated people's traditional bent, but also are extremely capable at satire and sarcasm. So, they naturally feel that you yourself are especially garish, or we could say that in their eyes you are especially vulgar, catering to city people, irresponsible, and lacking in pursuit, etc. In the past, Mao Zedong thrived on "ruffian revolution" and really put educated people in a sorry plight, reducing them to the old ninth category. These painful memories make educated people, who have been emancipated, extremely sensitive. When you use "ruffians" to mock them, in their minds they absolutely cannot tolerate it. More importantly, this mockery also makes you a very popular writer.

[Wang Shuo (hereafter Wang)] Sometimes I also wonder. I do not do anything to provoke anyone. Do I not write just for myself? I think that there are two types of knowledge in the world. One type is in books and is the

knowledge of you educated people. In this type of knowledge, I am nearly illiterate. There is another kind in life. That is my knowledge and in the face of my knowledge, you are nearly illiterate. This type of mutual lack of understanding cannot be truly explained. Perhaps my clashing with educated people and causing trouble is a bias. In your understanding of me there also is another bias. The two types of biases definitely should be gotten rid of. Now it appears that I have the advantage. I have not decided for sure. When you have the upper hand, you trample me to death. I have this kind of psychological preparation.

[Liu] We have had rather numerous contacts. When you write something, you are extremely conscientious and rather painstaking. In recent years, you have written one or two million words. Other people only see the cynicism expressed in your works, but they do not know how much hard work you put into your own language. Your popularity is not just because of your mocking attitude toward life, the more important reason is in the language. Your proficient use of contemporary urban speech is the most important reason for your success.

[Wang] I have not read the big books and I do not know how to use that bookish language in my writing. I can only use the language that I am most familiar with. It is not that I begin by thinking about using spoken language or that I know that there is a lack of spoken language in the literary world, but it is purely instinct. I can only write this way. I do not think about making a correction or that the literary world lacks precisely this thing.

#### Spokesman for the Rebellious Feelings of Youth

[Liu] Your success also has a deeper cause, you use mockery to engage in rebellion at two levels. One is rebellion against orthodox Mao Zedong style ideology and a second is rebellion against the value system that educated Chinese people have established. You use Cultural Revolution era language material extremely well and integrate it with contemporary spoken language, especially the Beijing accent and Beijing intonation, making all solemn and sublime things full of power and grandeur become comic farce, false patterns and false forms. I have noticed that your language is not pure Beijing spoken language. The basic vocabulary and some sentence forms are not. You have put a large amount of idiomatic vocabulary, especially the orthodox ideological vocabulary, into a mocking intonation and sentence structure and the result becomes a satire against it. Your power to subvert the language far exceeds your cynical attitude. So, you have become the spokesman for the rebellious spirit of average people, especially the youth, that the intellectuals look down upon.

[Wang] I certainly do not have any intention of being anyone's spokesman. I feel that I am by nature a writer. Every thing that I did before, I was unsuccessful at. I can just sit down and write and I succeed. From this I deduce that being a writer is comparatively easy. Whoever does not have the talent to do anything else can be a writer.

[Liu] You have always done as you think. You use special poverty-stricken, hard-life, uncultured mannerisms and speech. Some writers, even if they do not come from a literary family, once they become a great writer, wherever they go put on the serious demeanor of an educated person, but always look very much like peasants and are always in the sad state of awaiting a storm. It really takes people a long time to read them.

[Wang] I feel that they are like the fallen nobility. Their own little universe becomes a manor and every newcomer must show his respect to them. If you do not show respect or simply do not go, and build your house in another place, they are lost. I feel that China's present intellectuals are a group who cannot find their place at all. After the rise in the tide of commercialism, I think that their sense of crisis is greater than any other class in society. In the past, university professors had a very good life, much better than most people, at least in appearance. But now their economic status is already lost, "the maker of guided missiles is not the equal of the tea egg vendor." Without the economic advantage, the only thing for them to hold on tightly to is their cultural advantage. Now this cultural advantage is also beginning to disappear.

[Liu] Especially with the rapid development of popular culture breaking out all over, the cultural monopoly throughout the country all of a sudden has disintegrated. One needs only be able to sing with no culture and he will have a large audience and storytellers are hotter than university professors, not to mention movie stars, singing stars, and qigong instructors.

[Wang] Right. Once they lost their cultural advantage, they truly were without a thing. I'm afraid that if they don't adjust quickly, they could never have a place again.

#### **Commercialization Helps Literary Development**

[Liu] There is one point that is extremely important. In the present Chinese environment, if you write pure literature and pure art no one will stop you. If you write well, you certainly can put it out and you will be looked upon favorably. The key is that someone cannot write. Western pure artists who have been commercialized for so long still are extremely numerous.

[Wang] China's current literary crisis did not begin with 4 June and it did not come from the the assault of the wave of commercialism. Before this, it already had lost its vitality and creativity. Either it was good works rejected by a society that did not recognize pure gold or they did not have good works and so were rejected. They truly had a very splendid beginning. A novel caused a sensation in the whole country. In which nation would this not have been splendid? But that momentum was not because of the great excellence of the works themselves, but was because of too many external factors. If we leave out the external factors, how could they maintain that splendid momentum? They drew support from the feelings after a major political upheaval and drew support from the freeing of people's aspirations after a

long period of being pent up. Looking at those novels again now, what value do they have?!

[Liu] We talked about this issue before. Most of the sensational effect of contemporary literature comes not from the works themselves and does not rely on the literary talent or strengths of the writer, but depends on the work's bringing up a social problem. There is absolutely no linguistic requirement. They need only bring up a social problem that is sensitive and a hot topic and not use presentable language at all. These works do not have aesthetic or linguistic creativity, but the social problem itself causes the sensation. There are currently too many problems piling up in society and each problem can become an explosive point. As a result, just this effect can have some people without the slightest artistic sense or linguistic style be extolled as a writer. After the problem that they brought up is publicized or is brought up in another form (a more acute form such as 4 June), their thing loses its sensational effect and they go from beginning as explosive and embroiling the entire nation to being lonely and having no one read them. This type of contrast first proves that society is progressing and gradually becoming normal and secondly shows that writers who depend on political social problems for their fame only can flourish for a time.

So, once there was a 4 June, there no longer were serious writers. They were completely unable to find "isms." Actually popular culture or commercialization of culture truly has a very helpful aspect for literary development. It forces those people who are dependent on ideological or political sensation to have no way to survive. It truly has something of a sense of a big wave washing away the sand. The things that can remain under the assault of popular culture can have true literary value.

[Wang] This is true. Actually in recent years the common people have first rejected those works that were overly influenced by ideology. The big wave of commercialism has been an especially good cleanser. It has completely washed away ideology in literature and purely literary works can now appear and they are truly literary works.

[Liu] The fact that your language has a ruffian character is strange to the Chinese literary world. Their viewpoint is how can something that has always been refined be written in such coarse language and still be successful.

[Wang] Actually they are refined on the surface, but deep down they are more ruffian. Ruffians will not allow anyone to speak disrespectfully to them.

#### **Chinese Society Facing a Language Crisis**

[Liu] Language plays a very big role in your popular demand. I think that the present extremely sad plight of writers in China is not at all because of political pressure, but because they cannot find the language. Chinese society is facing an acute language crisis.

[Wang] I think a great deal about my own language, but I am not too clear about the future. As you said, mine is not pure Beijing spoken language. The Cultural Revolution language makes up a very large part of it. In

addition, present Beijing speech is quite unlike the previous form. The Beijing speech of Lao She's time has essentially disappeared. With the exception of a few pronunciations that have remained, the sentence structures and vocabulary have all essentially changed.

[Liu] Several of Liu Xinwu's [0491 1800 2976] new works, such as *The Bell and Drum Tower*, have tended to return to Lao She's language.

[Wang] I also believe that language has two sources, one is popular language and one is literary language. The education that I received determines that I can only use popular speech to write. My present writing has opened a gap with the spoken language and I can gradually use written language to write, but not the old type of written language, blending spoken language with Westernized literary forms. Perhaps we can form a new literary language.

#### Genuine Literature Should Be Free of Politics

[Liu] Your novels both in where the characters take their values from and in language, represent a departure from the post-1949 new communist tradition. The deviation is extremely strong and the effect is very great. You are the first mainland writer to bring the masses to deviate from orthodox ideology. You now have some language that enters young people's lives. You give low level little people a form of release. We cannot say that they do not have feelings that are not satisfied, but before you appeared they had not found a form of expression publicly recognized by society. Your appearance has just happened to provide them with this form of expression. Chinese writing, including your novels, is all somewhat permeated with the flavor of political rebellion and the emergence of true literature must be based on the removal of any political flavor. In present day China, there are two types of writers that are hottest. One is those who eulogize someone's virtues and achievements. They receive total approval from the authorities. The authorities create their fame. The other are the rebellious. They come under various degrees of pressure from the authorities. The pressure from the authorities and the common people's contrary mentality create their fame. Your novels express a void in the Chinese soul. There is not even any degrading shade. Decadent people have their own decadent demeanor and fallen people have their own fallen attraction, and your characters have nothing but a pallid life.

[Wang] Early on my works all had a certain political tendency. I hope in the future to do more pure literature. The usefulness of political flavor is over. It can no longer help us at all. My approach is the ruffian permeated with a little intellectual flavor, so that people on both sides can understand me. Since reform and opening up, Chinese individuality is finally being expressed. What kind of individuality is that? You used void in the soul. I would prefer to say that Chinese are without cultural background. Chinese do not have a soul. Essentially they have the mentality of degenerate bastards. It is said that

we have several thousand years of culture, but actually our background is more bleak and desolate than a desert.

#### Review of Banned Book 'Bloody Black River'

93CM0164B Hong Kong CHENG MING  
[CONTENDING] in Chinese No 1, 1 Jan 93 pp 70-71

[Article by Special New York Correspondent Mo Li-jen (5459 0448 0086): "Chinese Adversity From Mind To Body—Impressions After Reading the Banned Book *Bloody Black River*"]

[Text] This reportage literature about the Chinese Communist Black River Prison reveals the tragic fate of a group of female political prisoners who participated in the 5 April 1976 Tiananmen incident. The author sharply points out what kind of system would necessarily produce that kind of leadership. This is leadership that takes money from the people to pay tuition.

#### An Incident Not Allowed To See the Paper, Not Allowed To Be Published

*Bloody Black River*, the reportage literature written by Jiang Hao [3068 3185] was recently banned. The book was published by the Inner Mongolia Cultural Press in September 1992. The cover page has an entirely black background and the book's title, *Bloody Black River*, is written in the middle of the cover in blood red. A line at the very top of the cover excerpted from a phrase in the first section of the book says, "A high-level Chinese Communist official instructed that the incident is not to see the paper, is not to be published, and is not to be transmitted in the form of an internal party document." In white letters at the bottom of the cover is, "In Black River Prison, Tiananmen incident female political prisoners and female university students could not stand the long-term humiliation and gang rape, and escaped the prison during violence, convincing some of the officers and soldiers who detained them to flee together." Opening the cover, the fly leaf indicates, "Only by this book are these brave spirits who sacrificed themselves for truth consoled."

So that this book could be published the author, Jiang Hao, wrote in the reportage literature, "From the time that I learned of this matter in 1985 until I could investigate and verify it in 1989; confront the instructions of the rulers at the time, the diaries of the innocent, the persecutors' intentional and conspiratorial order for execution, as well as piles of posthumous self-vindications, and what is more heartbreaking, several late arriving extremely redressing and exonerating notices, I was obliged to conscientiously adopt an objective, reasoned attitude in writing *Bloody Black River*."

In 1976, 20 some female university graduates, who had not yet worked two years, accompanied the sightseeing groups of women's federations from various regions to Dazhai. When they passed through Beijing on the way back, it happened that the citizens of Beijing were mourning Zhou Enlai. The whole group out of a sense of justice, grief and indignation, as if caught up in a whirlwind, entered the ranks of the demonstration.

Because of the suppression by the Mao and Jiang gang of five, that night three of the group were tragically killed in the square; the whereabouts of one is not known; five, the head of the group and the assistant head and several members of the group, were clubbed by worker pickets until their skin broke open and were locked in an underground room in Beijing. Two months later, they were taken by the public security bureaus where they were from to stand trial.

#### **The Hell of the Female Political Prisoners**

Luo Xiaofang [5012 1420 5364], Feng Xuejuan [7458 7185 1227], Zhang Lan [1728 1526], Zhao Chuanliu [6392 1557 2692], and Sun Tianxue [1327 1131 7185] were on trial for less than an hour and received a verdict. The lightest sentence was 10 years and the heaviest was life. Luo Xiaofang and Feng Xuejuan received a death sentence with a two year reprieve. Twenty minutes later, these 24 female university students with an average age of less than 25 were stuffed into a sealed prison van and taken to a place of imprisonment that they only learned a year later was North China's Black River Prison. Five female university students who had just recently graduated from the Beijing Foreign Languages Institute arrived at the same time as they. These five female prisoners were all arrested at China's most northern Black Horse River Opencut Coal Mine. Because at the coal mine they had each cohabited with foreign experts from West Germany and were determined to have maintained illicit relations with a foreign country, they were sentenced to 10 years.

Black River Prison is situated in the most northern portion of China. The prison is surrounded by boundless wilderness. On the east is 100 li of desert; on the north is a primitive forest; and on the south is a continuous mountain range. Under this iron curtain system, the 24 political prisoners and the five women criminals who had had illicit relations with a foreign country were forsaken by history and forgotten by time. Besides the extreme "leftist's" humiliation, they were subjected to the law enforcers' rape and gang rape.

After Xing Shimin [6717 1102 2404], the commander of the guard force and four of his hatchet men had drunk six jin of 65 proof liquor, he threw five wads of paper on the table and said, "The paper wads all have names on them. Whichever one you grab is yours." The evil misfortune of being raped and gang raped began for these female university students who, having stayed in their cells year around and were malnourished and overworked when their bodies were originally unacceptably weak.

#### **Law Enforcers Savagely Gang Raped the Women Prisoners**

After they had suffered agony to mind and body, they wept in each other's arms. The sound was as shrill as that of a pack of cats with a wire wrapped around their necks. With their minds exceedingly confused and while they were wailing in one another's arms, they were biting and screaming at one another until blood ran down their

entire bodies and their skin was all black and blue. Everyone's body had at least sixty wounds like wolf-hound bites. The bacteria in everyone's saliva totally infected the wounds. The military doctor who treated them that night, Li Shulin [2621 2885 2651], who presently works at Inner Mongolia's 302 Hospital, said: "When Xing Shimin called me to come to the prison to treat them, I thought that it was another headache and fever. When I went in and saw, I was really scared. I could not recognize them at all. I did not dare to believe that the piles of festering flesh on the ground were people. They stared with red swollen eyes, ferociously looking at me exactly like a crazed mother wolf. Everywhere on the wall and on the ground was blood that they had spit out and beside that there also were scraps of flesh."

It was not at all easy for the author to investigate the facts about the Chinese Communist law enforcers' raping and gang raping the female prisoners. He ran into obstructions from top to bottom from the Chinese Communists concerned. They did not all say the same thing, but the idea was the same; we cannot provide you with relevant information so as not to affect the image of public security personnel, it would not be helpful to later tasks. So, the author wrote, "Affect is the most feared word in China. No one knows its true meaning, but everyone knows that it has a certain intimidating force. You need only bring up this word and most people are terrorized as if you had dropped an atomic bomb on their heads. There is one hidden in the pocket of every Chinese." The author writes, "On the vast land of China, innumerable despots, ignoramuses, and dictators are being bred. Their adversity synthesizes the Chinese people's adversity from mind to body. I would say that they do not truly belong to themselves, but they are a symbol, a symbol of the Chinese people of those days. Every time that I see this batch of disastrous effects produced from the rule of men, I worry if history can produce this kind of alarming situation, who can guarantee that these tragedies will not be played out again at a later date? What kind of system must produce this kind of leadership. This is a class that takes money from the hands of the people to pay tuition. As long as our legal system is not sound, their tragedy can be repeated and people constantly live in dread."

#### **Prison Escape Fails and They Are Executed**

Faced with the savage rapacious acts of Xing Shimin and other Chinese Communist law enforcers, they appealed to higher authorities and lodged a complaint, but there was no way out. So, the 30 political prisoners, including Luo Xiaofang and Wang Mei [3769 2734], on 28 October 1978 chose to flee by cutting through the marsh and the primitive forest. When Yang Fan [2799 1581], the deputy regimental commander level cadre of a certain Chinese Communist regiment, pursued and detained this group of female fugitives, after the inside story of their flight became clear, driven by his understanding, he gave them armed protection in fleeing along the country's border.

The author makes the following explanation regarding the outcome of Yang Fan and others. "Yang Fang, Han Zhiqiang [7281 1807 1730], Ma Zhongyi [7456 0022 5030], and other escorts, because they betrayed the motherland, betrayed the people, and betrayed the People's Liberation Army and gave armed cover to criminals fleeing abroad, were sentenced to death with no appeal and it was carried out immediately."

In 82 hours of rotating interrogation, they used only two hours with no appeal permitted, no lawyers, and no complete procedure to decide on a death sentence for 17 people. In this case from start to finish there was no public trial. The reason was that they were afraid that it would produce side effects. But there was no one in that region who was not aware of the progress of that case. When the prison van hauled Luo Xiaofang and Yang Fan to the execution ground, the town's population of more than 80,000 silently poured into the street. After the prison van passed, a whimper broke people's hearts. The government had no choice but to urgently move in a division of the People's Liberation Army to maintain order.

Luo Fang was strangled with a thin wire and executed. Han Zhiqiang refused to kneel down and after his kneecaps were broken, he was executed. Yang Fan went up to the heavily guarded pit on his own, knelt down himself, and turned his head and cast a glance in the direction of the person firing the rifle and smiled. Ma Zhongyi was the most uncompliant. Striking out in every direction, he shouted abuses at the Communist Party. All the rest had the back of their heads supported by the rifle muzzle as the rifle was fired and they were shot dead. After they were shot dead, the coroner had each corpse shot three more times and their heart beaten to a pulp. After that they were dragged into a large pit opened by an excavator and earth was pushed over them, burying them.

At 1500 the people of the entire city spontaneously went to the homes of the bereaved to offer condolences. The cries of a long line of mourners reached the sky. All the drivers honked their horns to extend their sympathy. At 1700, the government mobilized the police to disperse the crowd and eight people were detained and three people were wounded. At 1800, the broadcast said that mourning was not permitted and whoever did not listen to the dissuasion would be charged as a counterrevolutionary. At 2300, fires were started in eight places at the same time and fire trucks were rushing in every direction, having difficulty responding. There was 200,000 yuan in damages.

#### "Until Now They Still Do Not Know What Law Is"

Because of the cover and leadership of Yang Fan, these 30 women prisoners from Black River Prison fled along China's most northern 7794 Defense District, causing the Soviet Union, the United States, Vietnam, and Inner Mongolia to mistakenly believe that China wanted to provoke World War III and went into an emergency readiness condition. Wang Zhongyue [3769 0022 2588],

the highest officer in the Chinese Communist 7794 Defense District, was sentenced to death with a two year stay of execution in 1980, because he covered up the truth. A great many local officials were sentenced to life sentences or 15 year sentences. There was not the slightest echo regarding this entire incident in all of China's 9.6 million square kilometers of territory. The author pointed out, "We cannot criticize the land for going into a period with everything behind the scenes, but no news. There simply was no Chinese law when I was just entering my youth and even now we still do not know what laws are, not to mention procedures. Whatever the authorities say is law. We have become a generation without common legal knowledge. When humankind is relying more and more on law to develop toward the future, we, the people who make up one-fourth of humankind, surprisingly do not understand the law. What is the reason? Because the authorities see the law as somebody else's toilet paper. They use it however they think. The people certainly disdain its existence the same as they disdain a bowel movement. If the people do not have legal concepts, this does not have anything to do with the people. A government unaffected by a legal system wants to rule a people that does not understand the law."

We are grateful to the author for using *Bloody Black River* to reveal to people and alert them that "leftism" is not eliminated. Under the rule of men, the absolutely lawless tragedy certainly can be reenacted. The more that *Bloody Black River* is banned, the more people should use every means to find it and read it.

(Editor's Note: The detailed content of *Bloody Black River* is introduced in a special article published in the December 1992 and January 1993 issues of DONGX-  
IANG [TRENDS].)

#### Interview With Wang Ruowang on CPC Policy

93CM0158A Hong Kong CHIU-SHIH NIEN-TAI [THE NINETIES] in Chinese No 276, 1 Jan 93 pp 74-78

[Interview with Wang Ruowang (3769 5387 2598), by Li I (2621 1837) and Fang Su (2455 5685); place and date not given: "Communist Party No Longer a Monolithic Bloc"]

[Text] "The Communist Party continues to spare no effort regarding Hong Kong. People of Hong Kong should express themselves now to give the likes of Lu Ping [7120 1627] a jab in the eye. The Communist Party has become weaker with each passing generation. It has lost the hearts of the people. Some chance event might cause a general explosion."

All of the "three liberal freedom seekers" were banished abroad one after another. Early last month (December 1992), Wang Ruowang journeyed via Europe to Hong Kong to survey the situation in various places in preparation for devoting himself to the democracy movement overseas. While he was in Hong Kong, this managize specially arranged for an exclusive interview with Wang



Ruowang, the topics beginning with the recent controversy between China and the United Kingdom about Hong Kong's political system, and followed by his views about the future situation on the China mainland and his expectations in devoting himself to the overseas democracy movement. His wife, Yang Zi [5017 1311] also took part in the discussion during this interview.

#### **People of Hong Kong Should Make a Statement**

[Question] What are your impressions after just arriving in Hong Kong?

[Wang] This is my first time in Hong Kong. I believe that the Communist Party continues to spare no effort regarding Hong Kong. The great unity that Hong Kong expressed at the time of the 4 June incident was unprecedented. This power was terrific. In the subsequent disaster relief (meaning the east China flood), it likewise expressed itself. I know from reading articles in your magazines that the people of Hong Kong are facing a grim choice. I feel that the people of Hong Kong should make a statement at this time. The more you give in to those despotic scoundrels, the more swollen with arrogance they become. The British are still here; 1997 hasn't arrived yet, so the time should be used to make a statement. To use the Shanghai dialect, make the likes of Lu Ping "eat some chili pepper sauce."

[Question] You called them despotic. You mean that they are inclined to be violent and use tough language?

[Wang] Yes. The attitude they have shown toward Hong Kong during the past month or two has really reached the limit. They will continue to put on a performance.

[Question] Some say that it was only because of Deng Xiaoping's decision that things have become the way they are.

[Wang] All you can do is listen when such things are said. What about Deng Xiaoping? They regard democracy like a fearful scourge. Now they don't care for appearances. The more they act this way, the more they show their hollowness.

[Question] You mean they are tough on the outside, but weak on the inside?

[Wang] They can be a little freer economically, but they will not loosen up politically. This is the way the Communist Party is.

[Yang Zi] Patten's (the Hong Kong governor's) demands are not all that large; the Communist Party is making a mountain out of a mole hill.

[Wang] They have adopted the dirty tactics that Mao Zedong used. The NPC and the CPPCC have issued statements, and Zhu Rongji [2612 6954 1015] has gone off to London to apply pressure. They are trying everything. If Patten loses out on this, they will make unlimited demands in the future. Therefore, he cannot back down, and right is on his side, not Beijing's.

[Question] You have seen so many issues in such a short period of time.

[Wang] Of course people have told me about this issue. This is also a test of Hong Kong's intellectuals inasmuch as some intellectuals have condemned Patten, including newspaper editorials.

#### **The Mainland Economy—False Prosperity**

[Question] Recently the China mainland has been emphasizing a market economy. How do you regard this change? Didn't this change occur after you left the mainland?

[Wang] The changes must have become greater during the last three or four months, which was after I left. When I was there, the change had just begun. Now, it has gone from a stock market share craze to a real estate craze. In my view, all these changes are opportunistic; they are not productive in nature. Business people also know that the Chinese Communist regime cannot last, so they work away at these things.

[Question] Why?

[Wang] Because of the rapid money turnover, manufacturing industries are relatively slow. Certainly these two "crazes" (the stock market share craze and the real estate craze) are necessary in capitalism, and they are bound to thrive. But what the China mainland has created is only false prosperity. Economists can express this situation in figures. You just mind what I have said; this superficial prosperity cannot last.

[Question] Business? Nowadays, everyone is doing business. Some provinces and cities are particularly prosperous. People talk about "Guang, Te, Da, Shang, Qing, and Tian," meaning Guangdong, the special economic zones, Dalian, Shanghai, Qingdao, and Tianjin.

[Wang] I haven't heard this expression, but these things are also very false.

[Question] Are officials and intellectuals doing business too?

[Wang] Very many people have taken up business. In my view, this situation is very abnormal. It is a mad leap into economic activity. Anything that becomes all the rage cannot last long. This is the rule. That goes for the Communist Party, which will fall of its own weight, because it has no foundation. The methods they use, we call "economic stimulation," but stimulation loses its effect.

[Question] Isn't the life of the ordinary people better in recent years?

[Wang] The ordinary people have many ways to make money; they have many opportunities to make money. This is one side. On the other side is the large number of unemployed and semi-employed people, which statistics show. I met some Chinese students studying in Europe with whom I talked about this false prosperity. They still feel that Deng Xiaoping's methods are good. They praised him to the skies. I said, you just wait and see. Practice will show that you have been taken in.

### If People Have Enough To Eat, Will They Rebel?

[Question] Some people say that political democracy can come only after economic reform is more complete. What do you think about that?

[Wang] I don't approve of this statement. Looked at in conventional political and economic terms, this statement makes a certain amount of sense, but the problem is that dictatorships avoid political reform. Naturally democratic government does not just fall out of the sky; it does not come about spontaneously. Freedom and democracy in the absence of a rise in productivity is called the "theory of productivity." Look at Indonesia. It is a market economy that does not practice socialism, but it is under a military dictatorship. When it reaches a certain stage, it will not be able to move upward; it will become an incomplete economy.

[Question] Some people also say that in Asia, the government in places such as Singapore, South Korea, and Taiwan are authoritarian; they have no democracy, yet their economies have developed very rapidly.

[Wang] This doesn't fit with the statement just made. The statement just made was that once a market economy develops, a democratic government will naturally follow, but the fact is there is no such natural transformation.

[Question] South Korea and Taiwan appear to be making a transition to democracy, granted that this is not a natural transformation. Now Hong Kong is thinking about a transformation toward democracy, but the Chinese Communists won't permit it while the British believe it should.

[Wang] Britain is out in front; the Communist Party has become a foot dragger and reactionary. Their historical positions have been reversed!

[Question] Another statement says that an overwhelming majority of the ordinary people just want to make ends meet. Deng Xiaoping also knows very well that so long as they have enough to eat, the ordinary people will not rebel. They will not make too many demands. Deng's reform and opening to the outside world is for the purpose of maintaining political power. Do you feel that he will be able to attain this objective?

[Wang] He can rope in some people, but we know what it is that creates social change. In the past, the Communist Party said it was led by the working class, but such thinking has long since gone out of date. Increasingly, things are being decided by the intellectual class, including Communist Party intellectuals. This is the first thesis. The second thesis is that in a country as large and with such a huge population as China, there are always some people who act first. These people are at a higher station in life than those who simply want to have enough to eat. Therefore, if Deng Xiaoping supposes that ordinary people will be content with having enough to eat, such wishful thinking will not necessarily succeed. History has showed such thinking to be bankrupt. Furthermore, the antipathy between the Communist Party and

the people has not been resolved. The problems have not been solved. To suppose that so long as they have enough to eat people will not want democracy cannot play a very great historical role.

### Policies May Change at Any Time

[Question] Several years ago there was a saying that went, "delight in having meat to eat when you pick up your bowl to begin to eat, but cursing your mother who prepared it when you put down your chopsticks once the meal is over." Why the change in attitude?

[Wang] Because their "rules of the game" are not fair. A lot of people use their power to get ahead. A lot of poor and corrupt officials are being supported. The standard of living of children of ranking cadres is higher than that of the ordinary people.

[Question] In the ownership system, a new term has come to the fore. The term "state-run" has given way to "state-owned." This means that enterprises are still owned by the state, but are turned over to private individuals for operation. Under this system, the state collects a fee every year, but earnings belong to the operators. This amounts to private operation; how can it be termed state ownership?

[Yang Zi] They use the term "state-owned" to stay in the driver's seat; they can take enterprises back at any time. It is like the past several years when they talked about democracy, but finally took it back when they wanted to. Since the organs of dictatorship are in their hands, they can search anyone's home and seize property at any time. For example, they can search the homes and seize property of tax evaders and tax cheats.

[Wang] They do search people's homes and seize property, but not very much. One example in Shanghai was Xue Shangli, plant manager of the Shangling Washing Machine Factory, who was arrested several years ago on a corruption charge. The factory was still state-run at that time, and the case was considered a major one. As a result, he was sentenced to eight years, but after four years, he was released with the statement that he had been reformed. Now he is out and back at his original factory as chief engineer. Very many companies want to hire him, but he will not go. The newspapers have also praised him. This example shows that the Communist Party's policies may change at any time. Furthermore, officialdom has never discussed the need to protect privately-run enterprises. I have also learned from newspapers that reports about investigations state that more privately run enterprises inside China are attacked than any other units. These investigations included more than 900 privately-run enterprises in six different provinces. It is obvious that under present circumstances, the Communist Party can attack privately-run enterprises at any time.

They can seize them using the old stuff about the "dictatorship of the proletariat" to detain and investigate people. When I was jailed following 4 June, three of us shared the same cell. Two of three were economic criminals. One was from a Sino-foreign joint venture.

They seized him in order to make an example of him, and called his later release "leniency." Most of the six economic criminals jailed at that time were accused of "taking bribes." I realized that they got into trouble because of the distribution of power. It was a matter of who had the strongest backer. You might be pulled down to be replaced by someone else. They were all cases of injustice.

### **The Communist Party Is a Falling Domino**

[Question] One idea nowadays is that resistance is useless; it will only be put down. It is better to do business in order to make a little money and live a good life, which is more realistic.

[Wang] This idea is probably fairly prevalent among business people.

[Yang Zi] If it hadn't been for 4 June, I think people would still believe in their market economy.

[Wang] There was no such awareness at the time of 4 June. Today false prosperity will actually accelerate the corruption of the Communist Party, and it will also accelerate the process of its internal fragmentation and collapse, because the market economy orientation is bound to come into conflict with their programs and structure. A substantial number of those who split away from the party will be people who are physically in the Communist camp while their loyalties lie elsewhere. They will oppose the hypocritical regime and oppose the dogmatic regime. Such people are emerging. How many, it remains to be seen. But the number is certainly on the rise. If some major crisis suddenly occurs, the Communist Party may very easily collapse, falling like dominoes. We must realize this.

[Question] So this is your view of how things will unfold?

[Wang] As they say in Shanghai dialect, the Communist Party has "tripped itself up." This is not only economically; it has also lost the confidence of the people. Unless this basic problem is solved, should some unexpected incident happen suddenly, a general explosion may occur. The likelihood of such an explosion increases with the passage of time.

[Question] Could there be a revolution?

[Wang] Not the kind of revolution we imagine, and not necessarily violence. The Communist Party is no longer a monolithic giant. It has become weak; it cannot withstand signs of trouble. It has changed from one generation to another as, for example, Jiang Zemin and Li Peng. Once Deng Xiaoping passes away, they will lack authoritative backing and will become weaker.

### **Need for Good Showing in the Overseas Democracy Movement**

[Question] Where have you been on this trip?

[Wang] Canada twice, including both east and west, then France, Germany, and the United Kingdom, after which I came to Hong Kong. I plan to go to Australia and Taiwan from here, and then return to New York. This

way I will complete a circle travelling through several large continents. My overall impression is that although many countries have their own problems, one thing is certain, and that is that their government structure is superior to China's, and the quality of their officers is fairly high. My second feeling is that although China's future democratization cannot completely copy that of the West, it must study it. It must study things such as the election system, the multi-party system, parliament, the rule of law, etc. My third feeling is that the overseas democracy movement has great prospects. The issue is that our younger generation has to work hard; they must not wrangle over individual advantages and disadvantages, and feed on each other. They must act on the basis of a unified program. This is the only way they can influence the political climate in China.

[Question] It seems that all the individuals and organizations wandering abroad cannot influence the situation at home.

[Wang] That is because they have not pulled themselves together, so they cannot influence the situation at home. But I believe that they can influence it; it requires making an effort.

[Question] Therefore, you have decided to devote yourself to the overseas democracy movement?

[Wang] This is the result of my study of the matter. I have taken this step because I feel it is right and meaningful, and I pin my hopes on it. Consequently, I will take part in a joint meeting of the Democratic Front and the Democratic Alliance, and participate in the election. I hope that the young people will unite and pull themselves together.

[Question] Where do you feel the greatest problem with the overseas democracy movement lies?

[Wang] I feel that the greatest problem lies in having carried abroad from China as a result of Mao Zedong's influence, such as pinning labels on people at the slightest provocation, squabbling and calling each other names.

[Question] Another problem is no clear accounting. The co-mingling of public funds and private funds has very greatly hurt people's confidence in the democracy movement organization.

[Yang Zi] Yes. This is a touchstone, and it is also a problem that people can most easily appreciate.

[Wang] I feel that the overseas democracy movement should absorb the lessons of experiences, conscientiously paying attention to this problem in future. It must build a complete financial management system. I have also come to realize this. I know that there are some real difficulties in this, such as some people wanting to donate money, but wanting to remain anonymous. Certainly, clear accounting would greatly improve this situation.

[Yang Zi] An election (in the Democratic Front and the Democratic Alliance) is about to take place at a time

when the economic foundation is weakest, and financial support is most difficult. Whoever is elected chairman is very likely to be like an ingenious housewife who has to cook when there is precious little to cook with.

### **The "Three Freedom Seekers" Driven Out**

[Question] Have you decided to take part in the democracy movement?

[Wang] Yes, and the newspapers have published it. I was drafted, and since I was drafted, I cannot refuse.

[Question] This will make it even harder for you to return to the mainland.

[Wang] Since I am taking part, I cannot consider the problem of returning or not returning.

[Question] It was not easy for the mainland to let you leave. Were there some special reasons?

[Wang] The news of my departure was "exported only to be returned for marketing inside." Hong Kong learned of it first. XINHUA released the news. Then someone from Hong Kong telephoned me the news. It was only then that I found out. Ten days later, the Public Security Bureau notified me, removing from my head, the "release on bail pending trial." On the following days, the heads of the Writers Association came calling to announce that the public security authorities were no longer "releasing me on bail pending trial," that the problem had been solved, and that I could register to leave the country without interference.

[Question] What was their purpose? Was it to exile you?

[Wang] There are two explanations. One is that the United States Congress was discussing passing most favored nation treatment at that time, and that they treated me as a bargaining chip. Prior to this time, my home telephone had been yanked out; I was not allowed to communicate with the outside. It was only after U.S. Secretary of State James Baker visited Beijing that it was installed again, but the number was changed. The other explanation is that they intended to exile me because I held different political views, regularly made them look foolish, and made them uncomfortable. Therefore, their idea was, if you want to cause trouble, cause trouble abroad.

[Question] After you left China, did you meet with Liu Binyan [0491 6333 7159]?

[Wang] Yes. I also met with Fang Lizhi [2455 0536 0037].

[Question] All of you originally wanted to reform the Communist Party...

[Wang] Originally, we were reformers within the system, but we were all driven out in the end showing their narrow tolerance for putting up with people, and also showing that the vitality of the party has been stifled. In addition, they have largely lost the people's confidence. Subsequent history has made an answer, namely that three people were toppled because they cried out for

"bourgeois liberalization," but two years later (in 1989), millions upon millions of people took to the streets to gain freedom and democracy. Therefore, 4 June was also a test of the popular will. The number of people who became disillusioned with the Communist Party greatly increased, and the number who believed it could correct itself greatly diminished. It was in this way that I also joined in the demonstrations during 4 June.

### **Greatest Turning Point in Whole Life**

[Question] After joining the democracy movement, will you continue to write?

[Wang] I can never give up writing. I will still write. Two volumes of my biography have been published, and now I want to publish the third volume. I will do all possible to complete my biography.

[Question] In summarizing your life, what do you feel was your own greatest turning point?

[Wang] I think that the greatest turning point was changing from being a loyal to a disloyal Communist Party member, and changing to opposition to the Communist Party. This conversion was a very long process. I carried a "rightist" label (during the anti-rightist campaign), and later on after reading Peng Dehuai's 10,000 work book, I felt that Peng Dehuai was right, but Peng Dehuai was struck down. When the Minister of National Defense was removed, I began to suspect that Mao Zedong was wrong. That was probably in 1963. During the Great Cultural Revolution, I was jailed. I saw very many of those brought into prison were old cadres who had made very great contributions, some of whom died in my arms. I began to think strongly, realizing that Mao Zedong was a historical criminal that history would not forgive. That was about 1973. I had just been released, and I still wore a "counterrevolutionary" label. I was not regarded as human. At that time, I still did not distrust the Communist Party. This showed how very slow by transformation was. This brings me to the cancellation of my party registration (during "anti-capitalism"). From my articles, you can see that I had illusions about Deng Xiaoping. Before the 4 June, I wrote a letter to Deng Xiaoping, supposing that he might change his spots at once. It was not until 4 June, that I saw things completely clearly. In looking back now, I understand that I am an intelligent person, and that I am also most stupid to have taken so many years to understand. Therefore, I am so intense today because I have gone through such a thought process. I am not the only one like this; many intellectuals are the same way.

[Question] But many people feel that the Chinese Communists cannot be easily replaced. They have so many party members, such a strict organization, and there is no organization that is a match for them. Therefore, it is better to hope that they will improve rather than hope that they will topple. What do you think about this idea?

[Wang] Quite a few people have this idea, but the dissolution of the Soviet Union answers these people's question. The seemingly powerful CPSU crumbled all of

a sudden, and the thing that made it crumble happened to be the leaders inside the Communist Party. This showed the giant to be false; it was only a paper tiger.

#### Historical Irony

[Question] When you were young, you also served time in a Kuomintang jail, didn't you?

[Wang] Yes, for four years, from 1934 to 1937. They originally sentenced me to 10 years, but they released me after four, six years less. Later on, the Communist Party made them up. This is truly an historical irony. Don't you think it's funny?

[Question] After your release in 1937, did you go to Yanan?

[Wang] Yes. At that time, resistance to Japan and love of country was not the main thing; what communism was all about was not at all clear. Communism was just a political term.

[Question] Now, they are raising nationalism with regard to Hong Kong. They talk about the Opium War from morning to night. ...The time is about up. We have to attend another gathering with you two, so this is as far as we can go here. Thank you both.

#### Social Problems Created by Market Economy

93CM0139A Hong Kong KUANG-CHIAO CHING  
[WIDE ANGLE] in Chinese No 243, 16 Dec 92 pp  
22-26

[Article by Professor Chen Wenhong, Director of China Business Center of the Hong Kong Institute of Science and Engineering: "What Kind of Problems Will Crop Up in China's Market Economy?"]

[Text] What kind of changes will take place in China's social structure under the socialist market economy?

Under the situation in the development of the "socialist market economy," a tendency of "separating the functions of government from those of enterprises" has gradually emerged in China's state economy. Although the functions of the two seem to be separated, they will be connected for a short period of time. Government officials have changed their status to entrepreneurs, while entrepreneurs of state enterprises still rely on their relations with government officials to enjoy favorable tax rates, credits and market relations. In addition, they still need to resist the interferences from the government in exercising its proprietary rights over enterprises. Therefore, the functions of the government cannot be completely separated from those of enterprises. State enterprises still want to enjoy their original administrative ranks and the special privileges that come with the ranks. However, when an enterprise gradually breaks away from the direct control of the administrative department and it has enough financial resources (including fixed assets, circulating capital and market relations) to vest its management (entrepreneurs) with relatively independent economic benefits and power, the Chinese Communist Party and government system creates two parallel classes or beneficiary groups which combine politics with economy—

government bureaucracy and entrepreneurs of state enterprises. The two depend on each other, but there exists a conflict of interests between them.

The origin of entrepreneurs in state enterprises is from the top level to the bottom level. Economic reform is given impetus by politics. At least right now, most of the people in charge of the economic reform program were party or government bureaucrats before. Economic reform is heavily tainted with bureaucratic characteristics. As bureaucrats, they are not accustomed to the democratic management system. By "separating the functions of government from those of enterprises," state enterprises have long ago abandoned the management mechanism with the participation of the workers congress or the party committee. Within an enterprise, there is no mechanism of supervision to restrain the administrative power of the enterprise management. As a result of "separating the functions of government from those of enterprises," the administrators of the enterprises have become masters. They can almost unrestrainedly exercise the power of management, administration and distribution in the enterprises. They have even greater power than those in the shareholding enterprises developed under the capitalist market economy.

#### China's new entrepreneurs lack the spirit of hardwork and thrift while expanding their control over resources.

However, the legal and operational system of China's state enterprises is imperfect. The first generation of bureaucrats turned entrepreneurs mainly deal with capitalists of foreign enterprises (most of them are private family-run enterprises of overseas Chinese in Hong Kong and Taiwan) individual businessmen and private enterprises. Therefore, their methods in administration and management and even their consumption patterns are different from those of the administrative or managerial personnel of the large western enterprises developed under the share-holding system. They are similar to the capitalists in the early stage of capitalism. However, they lack the spirit of hardwork and thrift, because state-run enterprises are owned by the state after all. They have no strong sense of responsibility for state properties.

This type of entrepreneur should be the main motive force for the spending boom of social groups in Chinese society. Due to the fact that their administrative measures and field of vision are similar to those of the owners of the private enterprises in the early stage of capitalism, they have concentrated their efforts on breaking up the various social welfare systems which were originally aimed at protecting the interests of the workers and staff members in enterprises, and substitute them with the workpiece system and the contract system in the early stage of capitalism. They have shifted the responsibility in providing social welfare to the government, eliminated the unemployment insurance and suppressed the system of holding collective negotiations. These "reform measures" have practically abolished all the original restrictions aimed at limiting the power of the managerial personnel in an enterprise; and increased the profit margin. As a result, they have helped entrepreneurs expand their resources for the control of enterprises, and

further consolidated the benefits and power of the independent entrepreneurs of "state-owned" enterprises.

Opposite to those entrepreneurs who have practically seized control of state-run enterprises are the workers and staff members of the enterprises who have more and more become contract workers. The Chinese Communist Party has not used its party organizations or unions to represent workers' interests. On the contrary, it has used its political power to promote its structural reform of "separating the functions of government from those of enterprises." Party committee members become a part of the enterprise management class, or are even merged into the management (party committee secretary concurrently works as factory director, or the post of the party committee secretary is outright abolished.) When an union becomes a functional department of the administrative system, workers will lose their organizational protection.

#### There is unlimited supply of cheap labor in rural areas.

Under this "market" system, there is a wide gap of power between the management and the workers. More important is that due to the huge surplus labor in China's countryside and the tremendous difference in urban incomes, there is an almost unlimited supply of rural cheap labor for the development of urban economy. Therefore, except for some trades and jobs that call for high technology or rich experience, workers doing labor intensive jobs or in service trades will be gradually and easily replaced by cheap temporary workers from the rural areas since the management of the enterprise invariably seeks a higher profit margin.

**Table 1: Proportion of contract workers to all workers in state-owned units**

Year	Percentage
1983	0.6
1984	2.0
1985	3.7
1986	5.6
1987	7.6
1988	10.1
1989	11.8
1990	13.3
1991	14.5

Source: *Chinese Economic Situation and Outlook 1991-1992* editors-in-chief Ma Hong and Sun Shangqing, Chinese Development Publishing House, Beijing, June 1992, p 233, table 6.

Let us take 1991 as an example. According to statistics compiled by the State Statistical Bureau on the nationwide employment situation, the total employment was 106.643 million people, including 78.057 million regular workers, 15.886 million contract workers, and 3.979 million temporary workers. There were 8.72 million workers not included in state plans. The number of

temporary workers accounted for 26.8 percent of the total number of workers employed, showing a sharp rise. (See note)

In addition to this, when the total social demand is huge under abnormal market conditions, all the profits reaped from the market and the irregular sudden huge profits, including the special profits made by various types of deceptive marketing measures such as passing off the spurious as genuine and market price differences in various regions, can be classified as economic rent in economics. They often help units and individuals engaged in all types of market activities, particularly those who are directly involved in buying or selling, to reap a fairly large profit which far exceeds the wage income of the workers of state-run enterprises. This wage income is limited by the government. Even for workers in state-run enterprises, they may have nonwage incomes such as bonuses and material rewards or income from second jobs, as long as they have more opportunities to participate in various market activities.

#### The gap in income among different strata is gradually widening.

With this kind of "separation of the functions of government from those of enterprises" in state economy and the abnormal overall market situation, China's society is going through a process in which the gap in income between various social strata is gradually widening.

**Table 2: Per capita earnings of people of different social strata or trades in China in 1990**

Category	Per Capita Income	Multiple of Worker's Average Income
Enterprise Leaseholder	8,000	3.2
Foreign Enterprise Worker	7,000	2.8
Taxi Driver	5,000	2.00
Self-Employed	4,500	1.8
Actor or Actress	4,000	1.6
Worker With Second Job	3,700	1.48
Retiree Who Re-enters Job Market	2,660	1.06
Responsible Person of Government Organ, Undertaking or Unit	2,900	1.16
Technician	2,800	1.12
Office Worker	2,540	1.02
Industrial Worker	2,400	0.96
Business Person	2,270	0.91
Attendant in Service Trades	2,200	0.88
Retiree	1,700	0.68

Source: Same as Table 1 by Ma Gang [as published] and Sun Shangqing, p 258, table 8.

Listed in table 2 are normal earnings. They do not include the actual benefits secured by the responsible persons of any undertaking, organization or unit in spending public funds. Also not listed in the table is the difference between earnings of regular workers, contract workers and temporary workers. However, at least we can see from the table the trend of the widening gap in income between people of various trades and jobs in the society. It is hard to estimate the earnings of enterprise lease-holders, individual businessmen and the responsible persons of various government organs, undertakings or units, but it is conceivable that their earnings are tens or hundreds times more than those of ordinary workers. Let us take the earnings of taxi drivers as an example. Many of them, particularly those in large cities, earned more than 1,000 yuan on average in 1992. Those in Beijing have the highest income. The difference in income between people of various social strata is quite significant.

However, there were rapid economic and financial developments after 1990. This has added another widely variable factor which contributes to the gap between earnings—assets income. The 1990 assets income of all workers in the country totalled 19 billion yuan which accounted for 6.44 percent of the total amount of wages in China (the 1985 assets income was 4.1 billion yuan which was 2.96 percent of the total amount of wages that year). The bond and stock market rapidly developed in 1992. The amount of transactions in Shanghai and Shenzhen stock markets alone exceeded 19 billion yuan. The assets income of workers in 1992 was much greater than that in 1990, if treasury bonds, enterprise bonds, bank debentures and saving deposits are factored in. The assets income is even greater in China's coastal regions.

Due to the geographical difference and the gap in income between various social strata, sharp differences in assets income are only noticeable among people of high income. This will further widen the gap in income.

During the previous period of economic overheating, the proportion of urban families with a drop in actual income due to price increases to the total number of families rose each year. This proportion was 8.6 percent in 1986, 20.8 percent in 1987, 34.9 percent in 1988 and 35.8 percent in 1989. It has become the foundation for the widening gap in income in China's urban society and causes a remarkable drop in the total amount of saving deposits in many families. In 1990 and 1991, commodity prices were stable, and the workers' actual income rose by several percent. The gap in income because of price increases was narrowed, and urban residents were able to increase their assets (mainly saving deposits in banks).

However, the increase of saving deposits in banks is uneven among people of various social strata since 1990. People in urban areas save much more than those in the countryside. There are also many more people with high incomes in urban areas. Thus, in the course of financial and market developments, people with higher income will have larger assets income. On

the other hand, such income increases its value quickly. Besides, the reform of the housing system helps people with high income to own their houses and receive some rental income. Even in the course of promoting market standardization, the existence of financial assets would further widen the gap in income. This kind of difference in income is clearly shown in different spending patterns. The social status of those with higher income can be clearly recognized and members who belong to this class distinctively identified.

The development of China's socialist market may possibly be accelerated because of the guideline on "socialist market economy" set by the 14th National CPC Congress, but this will further increase the gap between urban and rural areas which started to widen in the mid-1980s.

**Table 3: Amount of increase of urban residents' saving deposits in banks (100 million yuan)**

1986	615
1987	835
1988	728
1989	1,345
1990	1,887
1991	2,076

Source: *China in 1992: Analysis and Forecast of Economic Situation* published in 1991 by China Social Sciences Publishing House in Beijing, p 34, table 3.

Between 1981 and 1984, the annual average growth rate of peasants' spendable income in China was up by 17.6 percent, and that of nonfarming residents by 12 percent. Things changed in 1985. Between 1985 and 1989, the average annual growth rate of nonfarming residents' spendable income was 21 percent and that of peasants 17.1 percent. If price increases are factored in, average growth rate of peasants' income was 15.1 percent for the first five years, while that for the next five years dropped to 4 percent. The rate of growth dropped even more sharply since 1989. The actual income in 1989 was reduced by 1.8 percent as compared with that in 1988. The actual income in 1990 rose by 1.8 percent, and that in 1991 was again up by 2 percent. Within a period of three years, there was an average growth of 0.7 percent only.

As compared with urban residents, the drop of peasants' income was even more obvious.

In 1981, the actual per capita net income of peasants in China was 223.44 yuan, and the average per capita income of urban residents for daily living was 458 yuan. The ratio between the two was 1:2. It dropped to 1:1.7 between 1983 and 1984; and rose to 1:1.95 in 1986. In 1997, it returned to 1:2 in 1981. This ratio continued to rise in 1988 and 1989, and it rose to 1:2.2 in 1990. In terms of absolute value, the difference between incomes of urban residents and those of rural residents was 234.6 yuan in 1981, and that figure in 1983 dropped to 216.15



yuan in 1983. It increased to 757 yuan in 1990, 3.2 times the difference in 1981. This ratio rose to 1:2.8, if a comparison of expenditures between the two was made.

What merits even greater attention is the simultaneous increase in the difference in income among rural residents themselves.

**Difference in income among rural residents also rose simultaneously.**

Let us take 1991 as an example. The proportion of peasants with low average net income below 300 yuan per capita to all peasants rose from 8.6 percent in 1990 to 9.4 percent in 1991, and that of peasants with high average net income above 1,000 yuan was up from 17.8 percent in 1990 to 19.5 percent in 1991. The average net income per capita among peasants with high income was 1,871.1 yuan, an increase of 1.8 percent over 1990. Although it was lower than the 2 percent income growth rate of all the peasants, the average net per capita income of peasants with low earnings was 150.8 yuan, marking an sharp decrease of 6.9 percent over the previous year, while the ratio of net income ratio of peasants with high income to peasants with low income rose from 1:11.4 in 1990 to 1:12.4 in 1991. The gap in income has widened as peasants receive more cash income and further commercialize their farm products. The rate of cash income for rural peasants rose from 68.3 percent in 1990 to 70.4 percent in 1991.

**Stagnant rural economy may trigger large influx of rural population into cities.**

The main reason for the widening gap in income in rural areas is the stagnant rural economy. In addition, there are limited price increases for farm products, while there are sharp increases for farmers' producer goods. This has widened the price difference between farm and nonfarm products. A growth in agricultural production does not necessarily mean an increase in income. This will only serve to gradually widen the gap between the earnings of those rural residents who are mainly engaged in farming and those of nonfarming residents. It is thus clear that the distribution of employment opportunities for non-farming residents is not even in China's countryside. Therefore, unless peasants leave the rural areas, it will be difficult for peasants in certain farming areas to enhance their earnings. On the other hand, the acreage of China's arable land is shrinking each year because of the increase in the use of land for the expansion of industries. The area of per capita arable land also dwindles under the pressure of the natural growth of population. Now, there are approximately a surplus labor of 100 million people in rural areas, and there will be an additional growth of 10 million people each year. The pressure on rural employment and rural residents' earnings is tremendous.

Thus, with the Chinese Communist Party relaxing its restriction and control over the move of rural population, the attraction of higher income and better job opportunities in urban areas is enough to trigger the large influx of rural population to the cities. In fact, the growth of floating population in cities was quite

rapid in the 1980s. For example, the 1988 floating population in Shanghai reached 2.09 million, an increase of more than 55 percent over that of 1.34 million in 1986. Beijing's daily floating population in 1988 rose to 1.31 million, up 14 percent over that of 1.15 million in 1987 and 436 percent over that of 300,000 in 1978. Guangzhou's daily floating population in 1987 broke the barrier of 1 million. It rose to a peak of 1.3 million in 1988. The floating population in cities and towns in the Zhujiang Delta with Guangzhou as the center was close to 5 million. It fell after the summer of 1989. However, after the first half of 1990, the floating population in large cities continued to rise again. More and more of the floating population tried to stay for a longer period of time. The total number of floating population who stayed for a long time in Beijing, Shanghai, Tianjin and Guangzhou was estimated to reach 3 million. In large cities, 59.34 percent of the total floating population come from rural areas. If we estimate that there is an average floating population of 13 million each day in 1988 in cities with a population of over a million, approximately 7.7 million and more come from rural areas. Since 1990, China has quickened its tempo in developing its economy and becoming market-oriented. At the same time, with the gap in income between rural and urban areas widening, the growth rate of the floating population from rural areas to cities may possibly be increased by more than 60 percent.

**Floating population will bring about structural changes in labor employment.**

The increase of floating population in cities and the increase of people from rural areas to stay in cities for an either short or long period of time have greatly battered China's urban and rural areas.

In urban areas, the floating population from the countryside has formed a huge labor reserve force. With the employment system of various enterprises gradually becoming market-oriented, most of the people who flow to the cities from the countryside are often hired as temporary or contract workers to fill vacancies for those doing labor intensive work and earning lower wages. This brings about structural changes in labor employment; and alters the employment system in state and collective enterprises and the relations between the management and the workers. At the bottom of the vocational structure in cities, there has emerged a category of outsiders who earn low wages, enjoy limited benefits and lack job security. With the rise and fall of urban economy, the existence of this category and the floating population waiting for jobs has changed the relations between the management and workers, and affected workers' benefits and wage scale along with the cyclical development of the economy. In the urban society, there is an additional factor of economic instability which increases the fluctuations on the market caused by the changes in supply and demand.



**Cities in China will be under pressure in communications, medical care and social security.**

On the other hand, the urban infrastructure and social services in all aspects will be under pressure because of the large influx of floating population. Naturally, the increase of needs calls for the increase of supplies. However, the contribution from the floating population to urban finances is limited. Right now, there are limited urban infrastructure, public service facilities, and financial resources in cities. It is impossible to increase facilities and provide more public services on a large scale. Therefore, facilities for communication and transportation, medical care, social security, education, housing, post and telecommunication, water and electrical power fall far behind the rapidly increasing demand, causing urban residents' living conditions to deteriorate. At a time when services and infrastructural facilities are becoming market-oriented and the supply system is being changed, price increases may be excessive. It may in turn create a new symptom characterized by an uneven distribution of services to urban residents who had them before. The difference in income among urban residents may be clearly reflected in spending habits and life style which divide the various social strata.

**Criminal activities will sharply increase, causing serious public security problems.**

In addition, the floating population is prone to committing crimes and causing serious public security problems, because it lacks job security, education and the concept of law and order, and it receives far less pay than urban residents. For example, the statistics compiled by the public security department in Shanghai Municipality showed that 6.8 percent of the criminals seized in 1983 were people who flowed to the city from other areas. This figure rose to 11.3 percent in 1985, 19.9 percent in 1987 and reached 31.4 percent in 1989. In Guangzhou, the proportion of criminals in the floating population accounted for 57.9 percent of the total number of criminals seized in the whole city in 1988. The situation in other cities were similar to these.

In large cities, problems concerning the floating population and public security often crop up in heavily populated areas near the border of the city and its outskirts. It forms a special community such as the "Tayuan Court" and "Shawo Village" in the Haidian District of Beijing Municipality and Guangzhou City's "Luohua," "Kuangquan," "Sanyuanli," "Keshan" and other streets or villages. Criminals breed quickly in these areas.

These problems created by the floating population are actually quite similar to the problems in metropolitan areas under the capitalist system of market economy. With Chinese society becoming further market-oriented, criminal and fraudulent activities may become more and more serious and create problems that are similar to those in the capitalist metropolitan areas—problems that the Chinese government will find itself difficult to handle.

**China should clearly learn lessons from the Third World's failures.**

According to Jiang Zemin's report delivered at the 14th National Party Congress, emphasis should be placed on "market standardization" and "do planning with a scientific approach" in developing China's socialist market economy at present. The system of market economy alone should not rebuff planning or the administrative interferences from the government. We can use the "East Asia pattern" which represents the latest development of capitalism or the experience in developing the economy under "social capitalism" in the northern part of Italy and western part of Germany to clearly verify this concept.

The question is: Under the "system of socialist market economy" can the Chinese government sober-mindedly pursue a set of rational mixed measure that is geared to the situation in China for economic readjustment and control; and thus avoid following the beaten track taken by the developing capitalist countries of the Third World. It is an open question.

At least from the various problems created in society since reform of China's market economy, we can see everywhere the mistakes made and signs of the disastrous road taken by the developing nations of the Third World. Some so-called reformist government officials and academicians are still unable to tell the different capitalist experiences, either good or bad, which they attained from the developed as well as developing nations during the past century. They only know how to abstractedly reaffirm the principle of capitalist market economy, while simply ignoring and or turning a blind eye to the large number of specific economic, social and political problems.

**What should China consider?**

The greatest danger of this kind of attitude is that one often forgets the term "socialist" in the "socialist market economy" and is not aware that "socialism" not only implies state-run enterprises and the Communist regime, but also in fact represents an even more fundamental vital factor—tackling problems and overcome difficulties stirred up by capitalism.

Market economy is a type of economic operational mechanism which may well be neutral in nature. However, in a world of reality, its neutral mechanism may twist the operational principle of market economy under the influence of various realistic factors within the system. As a result, free market competition naturally becomes monopoly which runs counter to fair competition. Unfair competition gives unfair treatment to those who compete in society. Such unfair treatment create a great deal of unnecessary waste of resources. The entire history of development of capitalism is practically built on the political interferences of the state and the citizen community to restrain the spontaneous market forces so

as to maintain relatively stable and rational economic and political order in society and make capitalism continuously rejuvenate and develop itself. In history, we may also see typical cyclical crises, the type of major economic crises because of insufficient and inappropriate political interferences in the 1920s and 1930s, and on a smaller scale, the decline and failures of individual capitalist nations (for example, Britain and some Latin American capitalist nations tumbled down from their developed nation status, and some African nations are faced with the crisis of genocide when they try to develop capitalism). Therefore, in developing market economy, China must take into consideration the economic, social and political consequences created by the system of market economy. It must not allow U.S. rightist economists and policies and the pro-U.S. personages in China to deceive it. As seen from the current market development and the changes in social structure in China, there is a good chance that China's market economy will fall into the same ditch as some of the Latin American

nations that relied on developed nations' capitalism to develop themselves. To avert the crisis in the system, there is at least the need to further improve the rational part of the socialist system at present, and learn lessons from the mistakes made by other nations in the course of their development.

Note: *Chinese Economic Situation and Outlook 1991-1992*, editors-in-chief: Ma Hong and Sun Shangqing Chinese Development Publishing House, Beijing, June 1992 p 284. A relatively large percentage of temporary workers come from rural areas. For example, 70 percent of temporary and contract workers hired by all trades in Xian City during the first half of 1989 came from rural areas. The situation in other cities is similar to this in recent years. See: *Influence of Floating Population on Urban Development and Countermeasures* by Li Mengbai, Hu Xin et al, Beijing Jingji Ribao Publishing House 1991 pp 32-38.

## NATIONAL AFFAIRS, POLICY

### Departments Step Up Reform in Materials Circulation

OW1902213293 Beijing XINHUA in English  
1604 GMT 19 Feb 93

[Text] Beijing, February 19 (XINHUA)—China's administrative departments for materials and equipment has shifted from state planned conventional practice in goods distribution to market economy management.

The volume of goods sold outside the state plan in 1992 accounted for 81.8 percent of the state's total sales figure, a rise of 10 percentage points over 1991.

To adapt to the needs of the market economy, the Ministry of Materials and Equipments quickened the change of its functions. By last year the ministry had established 40 general corporations to participate in market competition and circulation.

The goods corporation directly under the ministry gained a sales volume of 49.8 billion yuan (about 9.2 billion U.S. dollars) through market operation, an increase of more than 50 percent on 1991.

The goods circulation departments also expanded their business scope to cover industry, high technology, transportation, information, real estate. Now its income from businesses other than trade accounts for 10 percent of its total income.

The goods circulation departments combined domestic trade with foreign trade which broke away from the traditional practice of single domestic trade operation.

According to Liu Suinian, minister of materials and equipment, the ministry now has 28 corporations which engage in large-scale import and export businesses with their management scope covering rolled steel, nonferrous metals, chemical products, machinery and electronic products, fertilizers and textile.

The ministry established 50 Sino-foreign joint-ventures across the country and another 15 enterprises in foreign countries.

The minister called on the state goods circulation departments to participate actively in market competition, and to take bold measures to stimulate the circulation of capital goods in the domestic market.

**Economic Department Analyzes Price Factors in 92**  
93CE0248A Beijing ZHONGGUO WUJIA [PRICES  
IN CHINA] in Chinese 17 Nov 92 pp 20-23

[Text] This article is intended to analyze the influence of the present production increase and consumption level on the consumer products price index, and on the whole society's retail product price index. The analysis is based on the two different factors of production and consumption.

### I. Obvious Problematic Relationship Between Price Product Increase and Industrial Production Increase

1. Production increases have double influences on product price fluctuation.

The product price is determined by initial input factors, such as processed material and labor that particular products require. The product technology level also affects the price. The production development increase is based on two reasons, which have completely different influences on product prices. The first reason is that as the productive forces improve over the long run each unit product requires less labor, resource use improves, and each unit product uses less materials. This situation causes the two price factors to decrease, and the product price goes down. Thus the development of production can cause the price to decline.

The second reason for the production development increase assumes a short term perspective. Economic, political and national policy have certain effects that can cause industry to develop very fast in the short term. Because the production technology didn't experience any obvious improvement, only the production amount and production scale have expanded. Production leads to an increase in the material demands of energy and raw materials. Assuming that this supply will not change over the short run, production demand increases, thus directly causing the prices of the means of production to increase. Based on the condition that other production factors will not change, the increased price of the means of production implies that the unit product cost is increasing, and the industrial product's factory price is high, thus causing the consumer product price index to increase.

This year our economy has dramatically increased. This is mainly because fixed asset investment increased, and the investment demand caused production to increase. The fastest growing industry is the processing industry and machinery industry. The demands of these industries for industrial raw materials and various kinds of building materials have greatly increased. However, the fundamental short term industrial supplies such as energy, and raw materials are determined by the production capability, and are thus difficult to improve quickly. The differences between supply and demand are very large. This causes the price of the means of production and industrial products to increase. Therefore, this year's fast production has the same influence on the price as in the second situation, production development will cause the price to increase.

2. The analysis of the real situation shows that from the production increase to the product price increase two quarters elapse.

According to the analysis of post-1984 industrial production improvement ratios and quarterly product price indexes, it is noticed that whenever industrial production has increased fast, after about two quarters the product price index will exhibit a great increase. On the

contrary, if the industrial production decreased, two quarters later the product price index also decreased.

3. This year's fast industrial production increases is one of the main factors causing the product price to increase.

During the first and second quarter of this year, industrial production maintained a relatively high increasing speed. The accumulated industrial gross output value increased 19 percent from January to July. As production increases, the demands for the various means of production also increases. Since the economy recovered last year, 16 important materials' resources are in demand. The discrepancy ratio between supply and demand is 2 percent. In the first quarter of this year industrial production has increased greatly. The main materials' discrepancy ratio between supply and demand has increased to 3.4 percent, which is 1.4 percent higher compared with last year. The short term supply for the means of production is difficult to improve. The price becomes the leverage to adjust the supply and demand. Since the second quarter of this year prices for the means of production have been steadily increasing, and the situation is becoming more serious. From January to May of this year the general index for the means of production was 7.0 percent, 13.3 percent for fuel, 12.9 for energy and building materials. Last year the nonferrous metal market was weak, and turned out to be a buyer's market. This year the relationship between supply and demand has greatly changed. The nation's consumption increased dramatically. In May the nonferrous metal material's purchase price increased 7.6 percent compared with the same period of last year. In June and July the price for the means of production increased at a faster speed. The gross price index of the means of materials was 8.8 percent in June and 13.9 percent in July. In the beginning of August the market for the means of production became more active. The steel price increased quickly, some steel building materials attained the highest price in their history. The average price for 6.5 mm steel wire increased 49.3 percent compared with the same period last year.

As the economy is developing the price for the means of production continuously increases. For the third and fourth quarter of this year the industry maintained a nearly 20 percent increase. The demand for the means of production will become greater and greater, and prices will also go up. To maintain the fast production increase speed enterprises must purchase relatively high priced means of production, increase the expenses for purchasing semi-finished goods, and as a result the consumption of raw material has increased leading to increased production costs. To make profits and maintain production, enterprises have to devise a method of increasing the market price of products and the price of finished goods to transfer the burden of increased costs to consumers. In May the industrial product factory price increased 5 percent. In the later half of the year prices will reflect these new increases. For the short term the fast pace of production development's influence on the product price can be inferred as: production

increases the cost of the means of production—increases industrial production factory price—increases consumption price index—increases retail product price gross index increases.

According to this analysis of past industrial production increases and production price changes, if industry increases production by 15 percent after a while the production price index will climb to 7 percent or higher. From the end of last year until the beginning of this year industrial production increased as fast as 16 percent. However, last year's production price index was only 4.9 percent. For the first and second quarter of this year industrial production increased at the rate of 18.2 percent. Since the third quarter of last year the increased means of production's price caused the production price index to increase. It was projected that in the last half of the year the production price will increase 6 to 7 percent. The range of the production price index for the entire year will be maintained under 6 percent as planned. This year the small change in the production price index appears to be incompatible with the large increases in production because of another factor affecting the price index. This factor refers to the extent that consumer demand will affect the price of products.

## **II. The Steady Increase in Consumer Demand, Partially Restrained Increased Product Prices This Year**

In 1988 our industrial production rate was 20.8 percent, the social commodity retail gross amount increased 27.8 percent, and the product price index was as high as 18.5 percent. That year exhibited typical high levels of production, consumption and high prices. Investments and consumption are together expanding which stipulate high level increases in product prices. In 1988 the rush to purchase was both a particular sign of peoples' consumer demands, and also the main force driving product price increases in that year. This year's consumption situation is different from before.

1. The new characteristics of this year's consumption change is that the consumer demand increase is obviously slower than the increases in industrial production.

From 1985 to 1988 the changes in our industrial production and consumption demand have gone through the following stages:

First, from 1985 to 1988 these two factors increased at the same pace. The retail gross amount increased faster than industrial production affecting the product price in the same way.

(1) In the first and second quarter of 1985 the rate of industrial development was 23.2 percent and 23.3 percent respectively. Over the same period of time the social commodity retail gross amount increased 45 percent and 37.2 percent respectively.

(2) In the first quarter of 1986 the rate of industrial development decreased to 4.9 percent and the retail gross amount decreased to 10 percent.

(3) In 1988 the rate of industrial development was 20.8 percent, and increases in the retail sales increased 27.8 percent.

(4) In 1989 the rate of industrial development and the retail gross amount increased by 8.6 percent and 8.9 percent respectively.

Second, from 1990 to 1991 production and consumption increased at almost the same pace, but the retail gross amount increased slightly slower than the industrial production increase.

(1) In the first quarter of 1990 the rate of industrial development was low, a 2.2 percent increase, the lowest point in recent years. The retail sales increase was -0.3 percent which was the lowest point in recent years. The difference between the two was 2.5 percent.

(2) From the first to the third quarter of 1991 (data pertaining to the fourth quarter cannot be compared) the rate of the industrial development recovery was 13.9 percent, and the retail gross amount increased by 12.8 percent. The difference between the two was 1.1 percent.

Third, from January to July of 1992 the rate of industrial production and consumption demand increased at the same pace. Industrial production increased 19.0 percent, and the social commodity retail total increased 14.2 percent compared to the same period of last year. The difference between the two was 4.8 percent. From January to July, industrial production obviously increased faster, which is 6.1 percent higher than the same period last year. The retail sales total increased 1 percent compared to last year. This year industrial production increased greatly, but consumption demand did not increase greatly. Since 1990 consumption demand lagged behind industrial development, this year this trend has become even more obvious. It can be said that this year industrial production and consumption didn't increase at the same pace. Either consumption demand increased less than industrial production did, or it may be said that the consumption demand is insufficient.

2. The low demand of consumption reduces the final demand pressure on prices.

Several years ago product prices were high. The main reason for price increases was that the consumption demand increased too fast, and the total demand was greater than total supply. The situation this year is different. In the situation where production increases faster than consumption increases, the absolute amount of total product supply is greater than the total demand. It becomes a buyer's market. When consumers go shopping, they have the right to compare products to purchase products with high quality and low costs. Thus, even though the increased price of the means of production leads to increased costs, the manufacturing companies cannot transfer all of this burden to the consumer. Companies cannot increase prices, instead they have to lower the prices to sell the products because of competition. Some manufacturing companies dump the products at a price which is lower than the factory price or

below the cost of the finished goods. Insufficient consumer demand leads to increases in the cost of the means of production, and these increased costs have the opposite effect of raising the production price.

In addition, the consumer demand for stable increase reduces the chance that different kinds of "dealers" in business activities will increase the product price at will. In every area, according to local resources, technology and geographic advantages, scarce products are exchanged with other areas to gain an advantageous price difference over different areas. During periods of low demand, this method of taking advantage of price differences no longer works.

Because consumer demand or final demand increases relatively slow, it prevents prices from increasing to a certain degree. From 1984 to 1988 product prices were usually determined by the two factors of production and consumption. After 1989, as production increased and consumption decreased, the effects of consumer demand on the product price became greater and greater. The price fluctuation became to depend more and more on the market supply and demand situation which is closely related to people's consumption level and consumption structure. The production factor has less impact on product prices. The slow increase in consumer demand and its diminished influence on the product price is the main reason that this year's product prices are low.

3. Analysis of why the consumption increase is slow.

The reason why the consumer demand is relatively slow compared to the production increase is not because people's income has decreased. The increases in people's income is very large this year. From January to July salary payments totaled 323.86 billion yuan, an increase of 20.4 percent compared to the same period last year and much higher than last year's rate of increase of 17.5 percent. Collective and state-owned enterprises have developed greatly this year. The agriculture harvest also contributed to the annual income increases of peasants. From January to July the township business units' salary payment increases were 23.8 percent compared to the same period last year, which was higher than most people's income increases. From January to July of this year the new currency circulation was 10 billion yuan. The currency distribution for the entire year can be projected at 90 billion yuan, which has never happened before. The money in consumers' hands is not little, but the slow consumption increases show that our nation's consumption structure has experienced big changes. Consumer behavior is entering into a new era.

The changes in consumption structure and consumption behavior are reflected in three areas:

(1) Consumption psychology is more mature. After the blind rush-purchases of 1988, commodities now at market are plentiful. Prices are stable. People have more optimistic projections concerning prices. Reasonable purchases are more frequent than rush-purchases. Consumption expenses have become more and more planned.

(2) Consumption is more diversified. Due to the satisfaction of people with basic durable consumer goods and the growing gap in the income level, the rate of consumption is not the same. Demands are directed at multi-products and individualism. It is noted with alarm that from now on it will be difficult to have the same situation that prevailed during the period from 1984 to 1988 when consumption was central and homogenous. Currently, people who have different levels of income exhibit obvious differences in consumption in terms of variety and time.

(3) People's income distribution is exhibiting great change. There have been great improvements, but final consumer demand exhibits no obvious increases because people anticipate that they will consume more in the future:

1. Income saved. Even though the rate of people's savings has slowed, the absolute money saved is continuously increasing.

2. Income spent for housing. As various kinds of housing reforms are implemented, and the expense of rent, utilities and gas are increasing, people's expenses for housing have increased tremendously.

3. Income used for buying securities. This year most of the income distribution is used to buy national treasury bonds, private bonds and stocks. This year large amounts of marketable securities arrived early in the market. The sale of national treasury bonds has increased more than 14.3 billion yuan. In the first half of this year, marketable securities at the security exchanges in Shanghai and Shenzhen consisted of 40 kinds of stock. The prices for the stock totaled more than 6 billion yuan. More than 1 million stockholders have become directly involved in stock investments. High income families use relatively large parts of their incomes to purchase marketable securities. Middle level income families also appear to be purchasing marketable securities. Relatively large amounts of people's immediate consumption have been delayed, thus affecting the market demand.

### III. High Increased Production and Relative Decreased Consumption Affect Steadily Increased Prices

From the theoretical point of view and recent year's economic practice, industries' high speed development leads to price increases in the means of production, thus pushing consumption price index increases. This year the industries developed fast, and the investment scale was large. This fast production increase should lead to higher levels of product prices. However, total supply and demand and the different rates between the two are basic factors affecting product prices' fluctuation. Production is for consumption. Without consumption, the effort expended during the production process cannot be compensated for. Insufficient consumption causes expenses incurred during the production process to be difficult to recoup.

In China this year the consumption increase is slower than the production increase. The consumption demand is insufficient to offset the great pressure on product

prices from material demands. Consumption has the opposite effect on product prices. With high production and low consumption the positive and negative results are that prices have slightly increased. However, on average the prices maintain a low level. It is projected that the entire year's product price index will be about 6 percent, and the industrial production and social commodity retail amount will increase 20 percent and 15 percent respectively.

The stable product price and changes in consumer behavior are not bad things. This change provides us with the benefit of adjusting various kinds of unreasonable price systems, thus further enforcing the economic reform. The changes in consumption structure provide an advantageous opportunity of adjusting some troubled industries and product structures through the leverage function of marketable prices to maintain national coordinated economic development in all places. People's better understanding of finance, and the reasonable use of their incomes are beneficial for production improvement. If stocks could attract large amounts of society's free capital, the biggest benefit from this way of gathering money would be to collect people's disposable income for investment in the market. This economic source becomes a long-term production capital of enterprises which can either stimulate enterprises to improve management and efficiency, or provide the capital guarantee for the economy's further development.

### Competition in Offering Preferential Terms Viewed

HK2002070293 Beijing JINGJI RIBAO in Chinese 8  
Feb 93 p 8

[Article by Dai Yuanchen (2071 0955 2525): "It Is Undesirable for Development Zones To Compete With One Another To Offer Preferential Terms"]

[Text] Since the spring of last year, various provinces, cities, and counties, as well as townships and towns along vital communications lines, have set up different types of development zones in a bid to "attract phoenixes by building nests for them" and speed up local economic development and the urbanization and modernization process. It is gratifying to see that, to improve the urban investment environment, quite a few localities which often had no share in urban construction in the past have now been taken seriously. However, because too many development zones have been set up and they compete with one another to attract investors with all kinds of preferential terms, there has been competition in granting preferential terms.

Many localities regard the establishment of a favorable investment environment as allowing foreign firms to gain extra advantages. They think that as long as they are ready to suffer losses by offering tax reduction or exemptions, cheap labor, and free or cheap use of land, they will be able to attract foreign investment. Some cities claim that those investing in enterprises there "can enjoy the same preferential terms as those in special economic zones." They even announce that they can pursue more preferential policies than those in special economic

zones. As a result, the income tax which was originally "exempted for two years and reduced for another three" has been turned into one "exempted for three years and reduced for another five," and even one "exempted for five years and reduced for another five." Some localities have also offered preferential terms by reducing or exempting such turnover taxes as the product tax, which do not come under the category of tax reduction or exemption.

Will more preferential terms have a stronger appeal to investors? In fact, competing for policy relaxation has undoubtedly created a "falling image" for oneself. The investment environment is a major system. In assessing an investment environment, it is necessary to look at its overall function. Taxation represents only one aspect. An entrepreneur should consider not only how much profit he will make from his investment, but also how much risk he will be forced to take. Investors usually are not afraid of risks which are discernible and have been meticulously calculated. What is most troublesome to them is the "black box risk," namely, the unpredictable one. For this purpose it is necessary to deduct a fairly large safety coefficient. The so-called "black box" covers a very large area. Imperfect decrees and regulations and changeable policies are usually regarded as a "black box."

The preferential tax policy implemented in the special economic zones are decrees passed by the National People's Congress Standing Committee. If the leader of a prefectural or county-level city can claim to "pursue a more preferential taxation policy than that implemented in the special economic zones," this cannot but arouse misgivings on the part of foreign investors on the legal basis of China's preferential tax policy. The investors will think that, since a local party or government organ can offer preferential terms without going through the legislative procedure, it may also abolish them with one sentence. It should be noted that an environment which formulates a policy at will is one having an unstable policy and this will have an adverse effect on efforts to attract investment.

Moreover, in introducing foreign investment projects, a development zone should screen projects according to the state industrial policy. Some should be encouraged, some restricted, and there are different requirements in various aspects, such as export obligations, domestic sales restrictions, the rate of domestically made goods, and tax preference on equipment and raw materials imported by foreign enterprises for use in production. However, while some localities still uphold such levers as export obligations, domestic sales proportion, and rate of domestically produced goods, others do so without any stipulations or requirements. What is even more noteworthy is that some foreign-funded projects, such as exclusive import of assembly lines and the assembly of imported parts for the domestic sales of finished products, were usually not approved. But what happens now is that although these projects are not approved in one place, they can be approved in another. Even projects which pollute the environment and destroy resources

and which foreign businessmen are prohibited to invest in are also approved in some localities.

Unaware of this, some media have even publicized the news that whereas it took two years to examine and approve some projects in the past, it now takes only one day to complete all examination and approval procedures. By "completing all examination and approval procedures in one day" it actually means that nobody is refused. This practice of competing with one another to relax terms for the introduction of foreign capital and giving up the screening process is obviously undesirable. Therefore, we should attach importance to and explore the question of how to master a rational "degree" so that the development zones can develop soundly.

## PROVINCIAL

### Economic Zone Signs Land Use Contract With ROK

*HK1902105793 Beijing CEI Database in English  
19 Feb 93*

[Text] Tianjin (CEIS)—The Tianjin economic and technology development zone signed a contract on February 18 with the land development corporation of the Republic of Korea (ROK) for land use rights covering 1.15 square kilometers in Tianjin City.

The Tianjin industrial park of ROK is a comprehensive industrial park which will introduce more than 100 enterprises from ROK and other countries.

A local official said that it is the largest investment from ROK in land development.

Investment to be introduced to the park will be valued at up to 400 million U.S. Dollars and the contract term is 50 years.

According to the contract, the construction will take two years.

## FINANCE, BANKING

### Securities Markets Attract Foreign Funds

*93CE0230A Beijing ZHONGGUO TONGJI XINXI  
BAO in Chinese 10 Dec 92 p 2*

[Article by Cai Nanshan (5591 0589 1472): "Advantages to Securities Markets in Attracting Foreign Investment"]

[Text] During reform of economic structures, a multidimensional economy has been formed, and financial institutions and financial assets are evolving into a similar structure. I believe that in the face of reform and opening up, and during the process of using foreign funds, we should seek more channels to attract foreign investment, including the securities and stock markets, which have greater advantages than foreign loans or direct foreign investment.

### Issues Raised in Current Efforts To Use Foreign Funds

Since reform and opening up, China has made great achievements in attracting and making use of foreign funds through more than a decade of initiatives and exploration, starting from nothing to a considerable magnitude, and from foreign loans to direct foreign investment. During the process, however, some problems also occurred. For instance, there is the problem of foreign funds not getting to the proper place. According to an investigation by agencies concerned in Quanzhou City, only 40 percent of foreign funds actually arrived in foreign-funded enterprises whose investments had been audited. Often the deficit part of investment had to come from direct or indirect bank loans, or from the down payment on real estate industries. The problem thus brings about two notable problems: First, when registered foreign funds do not materialize, foreign investors may take out their investment without any restrictions. Second, foreign businessmen develop real estate industries by using loans from domestic banks, which results in foreigners using renminbi for investment, selling products outside China for foreign currency and making profits. In some regions, foreign businessmen only invested several hundred thousand yuan, yet they run projects that require several million yuan of investment. It is learned that a state enterprise set up a joint venture with a foreign business. The Chinese side invested 40 million yuan and the foreign partner 60 million yuan. Yet, the foreign funds came from domestic bank loans. It shows that there is much to improve in the quality of using foreign funds.

In the past, there were two major ways of using foreign funds. The first was to get foreign loans, but there were usually conditions attached to loans from a government or the International Monetary Fund. Foreign commercial loans had high interest rates, and were a heavy burden. The second way was to encourage direct foreign investment. Then, there must be preferential policies for those foreign businesses. When direct foreign direct investment comes to a certain level, the debtor state has to adjust its policies to prevent excessive control by these foreign businesses. Meanwhile, with the development of the domestic economy and improvement of living standards, the favorite conditions of cheap labor and special resources for foreign businesses will gradually change to increase production costs. Foreign capital therefore has to flow to other newly opened countries or regions. As a result, direct foreign investment can not be expected to grow when it reaches a certain level. These issues fully explain why we have to tap the new channel of stock and securities markets to attract foreign funds since foreign loans and direct investment are constrained by time and the environment, along with the problem of funds getting to the proper place.

### Significance of Stock and Securities Markets To Attract Foreign Funds

Since the 1980s, quite a few countries have successfully opened the new channel of stock and securities markets to attract foreign funds. We can carefully draw on their

experience. It is of great significance to make use of stock and securities markets to attract foreign funds.

1. Such funds are of high quality and on a large scale. As stated above, the rate of foreign funds getting to foreign-funded enterprises is usually low. It is obviously better to obtain funds through issuance of foreign securities and stocks than domestic bank loans to make up for the nonmaterialized foreign investment. Even a whole project can be funded by bank securities and stocks. Stocks are a permanent investment, requiring no repayment of principals or interests, posing no apprehension of investors deciding to withdraw their capital, and imposing no heavy burden on the state like national debts, and furthermore, stocks enjoy a variety of sources. Their scope of issuance may be decided in light of needs.

2. Stock and securities markets enhance diversified financial assets. From the perspective of foreign investors, it is too risky to rely on only one type of investment. Stocks or securities reduce such risks. They represent the other channel of investment apart from direct investment. From the viewpoint of banks, they may buy stocks and securities with spare reserves to increase the effectiveness of capital flow and improve the quality of loan assets on the basis of self-risk and self-balance in their enterprise-like operation. Looking at individuals, their bank deposits have been growing dramatically. In 1978, residents' total deposits were merely 20 billion yuan, and it broke the point of one trillion by 20 March 1992, constituting 70 percent of the source of bank loans. But the residents' financial assets have existed in only one form. They therefore demand new channels of investment. Stock and securities markets may provide them with choices, mobility, and effectiveness for financial exchange, and residents may have new types of financial assets as well.

3. The markets help macro regulation in economic development. Currently, export-oriented industries are growing fast, and foreign investment is increasing. There exist, however, problems of deficiencies of macro control and imbalance of structural composition in industries. For instance, in the development of new wholesale areas and renovation of old urban areas by foreign businesses, the investors' operational scope and capacity, and choice of geographical location are constrained. The individual investor's selection of project and location are usually micro. The planning of a city's development is therefore not regulated. The lack of macro planning may result in confusion in responsibilities for basic construction such as projects in electricity and water facilities, which become a "bottleneck" for development. With a city planning blueprint, funds for particular projects involving no foreign investment or insufficient investment can be obtained through issuance of stocks so as to regulate foreign investment at the macro level. This way, resources can be better allocated and total effectiveness can be achieved.



## INDUSTRY

**Zhu Rongji on Reforming Auto Pricing**

HK2302124893 Hong Kong CHING CHI TAO PAO  
in Chinese No 7, 22 Feb 93 p 23

["China Economic News" Column: "Zhu Rongji on Reforming Auto Prices"]

[Text] Vice Premier Zhu Rongji recently indicated that it is necessary to protect China's auto industry by conforming to the principle of economies of scale and halting the construction of small auto assembly factories profiting through speculation in cars.

The specific measures are first, appropriately reduce the profitability of car sales so that it will be helpful to developing economies of scale.

Second, abolish extra charges. Additional charges for purchasing car can be replaced by fuel taxes or other ways of ensuring expenditure on road building. Abolish special consumption taxes, which can be covered by the regulation of the import and export market.

Third, set up a consumption market for imported cars. Utilize original channels to play a nonprofit making role of regulating, controlling, and stabilizing the market. Import taxes will not be removed. To do a good job in implementation, it is necessary to formulate rules and regulations.

**Government To Emphasize Importance of Auto Industry**

OW1902212793 Beijing XINHUA in English  
1542 GMT 19 Feb 93

[Text] Beijing, February 19 (XINHUA)—China will try to make its automobile industry one of its pillar industries in ten or more years by undertaking a series of measures to boost its output, production value and efficiency.

Cai Shiqing, general manager of the China National Automotive Industry Corporation, said today that his corporation aims to turn out three million automobiles a year, with sedan cars taking up 65 percent of the total, and four million motorbikes.

He said the total output value of the automobile industry is expected to reach 214 billion yuan (according to the international price), 5.4 percent of the year's gross domestic product.

By the year 2003, Cai said, China's automobiles should reach the international standard of the 1990's, with some reaching the current standard then.

He said that in the upcoming ten years the scale of China's automobile industry should be broadened by co-operation, regrouping and merging.

By that time, he said, a number of companies and company groups with viable international competitiveness will appear with the capability of producing most of the essential automobile parts.

In 1992, China's automobile output for the first time hit 1.08 million, and motorbikes 1.98 million, with production and economic efficiency registering a substantial increase over the previous year.

However, Cai said, that the number of motor vehicles produced is roughly the monthly output of the General Motors Corporation (GM) and that the automobile industry's output value occupies only 3.7 percent of the GDP [gross domestic product].

Now the annual export value of China's automobile industry stands at only 200 million to 300 million U.S. dollars, and most of its exports are spare parts. Export of whole cars is minimal.

With an aim to reach the contemporary international standard, he said, China will seek more channels for accumulating funds and make more efforts in research for new products.

He said that China's auto industry will adopt a shareholding system and further co-operate with foreign companies.

## SMALL-SCALE ENTERPRISES

**Views on Prospects for Private Enterprises**

93CE0259B Beijing ZHONGGUO TONGJI XINXI  
BAO in Chinese 28 Dec 92 p 1

[Article by Li Xiangwen: "Departments Predict Industrial Output Value of Individual Private Enterprises Will Account for More Than 20 Percent of the Nation's Total in 2000"]

[Text] While the public was focusing attention on the hot topic of reform of state-owned large- and medium-sized enterprises, individual and private enterprises have developed rapidly in recent years. According to statistics, there were more than 120,000 private enterprises in China at the end of October 1992, a 12.98 percent increase over the same period last year. The industrial output value of private enterprises in the whole nation accounted for more than 6 percent of the country's total. One may say that the individual and private economies have become a dynamic sector of the national economy.

The development of individual and private economies has undergone a process of numerous trials and tribulations. In 1953, there were 9 million individual workers in cities and towns, and about 30 to 40 million handicraftsmen, small traders, and peddlers in the rural areas. By 1978 the number of individual workers in cities and towns in the nation dropped to 150,000. In the 13 years of reform and opening up to the outside world, the number of individual and private economies has been revived and developed. At the end of 1991, the number of individual industrial and commercial businesses in cities and towns across the country amounted to 14.168 million, employing 22.58 million people, and that of private enterprises was 10,800, employing 1.839 million people.

The responsible parties from the State Administration for Industry and Commerce held that the rapid development of the individual and private economies has become a major component of China's national economy, and that they are playing an indispensable role in China's economic development. Its manifestations are:

Individual and private economies are conducive to absorbing idle funds in society, enlivening society and the economy, and making things convenient for people in their daily life. At the end of 1991, a fund of 61.12 billion yuan was collected. In 1991, the country had 7.72 million individual and private retail commercial outlets, which accounted for 89 percent of the total number of commercial service outlets in society. The increase in the number of commercial service outlets has helped alleviate inconveniences in people's livelihood.

Individual and private economies employ people who are waiting for jobs. They shift the wealthy rural labor, improve the employment structure in rural areas, and promote social stability.

Individual and private economies increase state revenue. They not only do not require direct state investment, but they also manage to hand in great amount of profits to the state in the form of tax payments. In 1991, individual industrial and commercial businesses and private enterprises paid 17.9 billion yuan in taxes to the state.

As reform and opening up to the outside world continue, the scope of operation of individual and private economies expanded. Currently there are 27 provinces and municipalities throughout the country that have promulgated new policies to develop individual and private economies one after another. They further emancipated their minds, upgraded conceptions, and relaxed policies to enable the individual and private economies to have more opportunities to develop themselves in the field of business and operation techniques.

A responsible official from the State Administration for Industry and Commerce said that our next step will be actively leading individual and private economies to develop toward production, exports, and technology. Currently the proportion of production-type individual and private economies is relatively big, which is about 80 percent or more.

In terms of the developments of localities, there were more than 30,000 private enterprises in Guangdong at the end of October 1992, and over 10,000 in Zhejiang. Liaoning was third in this regard. In Beijing, the number increased from about 480 or so last year to 900 this year. Currently, all localities are digging the potential of individual and private economies, and in some provinces and municipalities where individual and private economies are weaker, a doubled or redoubled growth rate is expected by 1995.

According to the prediction of the responsible departments based on the growth rates of the individual and private economies over the past 10 years, by the year

2000, the number of individual industrial and commercial businesses and private enterprises will grow from 25 to 30 million, and 50 million people will be employed. Their officially owned funds will go up to 200 billion yuan, and their industrial output value will reach 35 billion yuan or more, constituting 20 percent or more of the country's total industrial output value. In addition, in that year, the retail sales of social commodities will come to 60 billion yuan or so, accounting for more than 30 percent of the entire society's total.

### Henan Rural Enterprise Output Value Increases

93CE0226D Beijing ZHONGGUO XIANGZHEN QIYE  
BAO in Chinese 9 Dec 92 p 1

[Text] The stock ownership system has delivered a new vitality and major infusions have led to great production among Henan's township enterprises, making Henan the first province of the west-central region to see the output value of its township enterprises top 100 billion yuan.

With a development strategy spearheaded by farmer's stock cooperative enterprises and bolstered by major infusions, a multitude of achievements have been won by Henan's township enterprises. In the first 10 months of 1992, total output value province-wide was 100.16 billion yuan, industrial output value was 61.2 billion yuan, and profit taxes paid were 10 billion yuan, increases of 46.2 percent, 48.8 percent, and 36 percent respectively over last year's totals during the same period. Henan is the first west-central province to see the output value of its township enterprises top 100 billion yuan.

For township enterprises in the west-central region to catch up with those in the advanced provinces of the eastern region, unprecedented activity will be required to make the developmental leap. The Henan Province party committee together with the provincial government organized an expedition with leaders of various levels within the province visiting the southeast coastal areas to learn from the experiences there. They decided to start by transforming township enterprise mechanisms, making the stock ownership system the spearhead of the township enterprise development effort, increasing capital infusions, and sensibly deploying key production force elements, so as to set a foundation for township enterprise growth. In the first 10 months of 1992, the methods of "individual evolution, economic transition via partnership, and collective enterprise improvement" led to the development of 100,000 farmer's stock ownership cooperative enterprises and the creation of 10.04 billion yuan in output value, accounting for over 20 percent of the output value among rural collective enterprises in the province. Of the more than 10,000 new projects launched this year, one-half of them are stock cooperative enterprises. The flames of stock cooperative enterprises are now spreading far and wide throughout Henan.

Development is a hard truth. The fact that, without infusions there will be no production - this too is a hard truth. Keeping in mind that "when township enterprises

grow, I grow," agricultural banks and credit cooperatives in Henan Province invested 2.08 billion more yuan this year in township enterprises than in the previous year during the same period. In addition, in the cities they issued 200 million yuan in bonds to benefit the township enterprise development of such units as the model Linyingnan Street, the Luoyang Global Industrial Development Company, the Jinghua Industrial Company, and Liu Zhuang. Township enterprise financial service departments, people's credit cooperatives, and township enterprise investment organizations have all risen to the challenge of the times, stock ownership funds and membership fund associations have stepped up investments, and foreign capital introductions have grown daily. In the first 10 months of 1992, rural collective enterprises set up 206 joint capital enterprises throughout the province, absorbing 1.278 billion yuan. Rural collective enterprises invested 4.76 billion yuan in extended reproduction, 1.98 billion yuan more than the loan infusions made by agricultural banks and credit cooperatives.

Undertaking major projects, bringing advanced equipment aboard, and increasing the quality and value-added to products - these have been the main focus of new investment for Henan's township enterprises. Beginning in 1992, over 1,000 new projects received infusions of greater than one million yuan. The total investment in the 3,354 items involving new technological transformations and the 5,927 newly established stock ownership enterprises reached 7.138 billion yuan, doubling the amount of investment made during the same period in 1991.

#### **Township Enterprises To Upgrade Technology, Exports**

93CE0226C Beijing JINGJI RIBAO in Chinese 8 Dec 92 p 3

[Text] Township enterprises have become a new force in the establishment of China's socialist modernization. Total industrial output value this year in Wuxi County, Jiangsu Province is headed beyond 30 billion yuan. This will surpass that of Wuxi City, providing a peculiar scenario of "rural areas encapsulating cities." Some feel that township enterprises are growing too quickly, that they have overdone things and exceeded their "limits," and that they should be rigorously reined in. I feel that these views are somewhat erroneous, and that today we should be actively guiding township enterprises so that they may rise to a new level.

First, we must rise to a new level in the area of scientific and technological progress. At the time of the initial establishment of township enterprises, their technological starting point was quite low. They came to understand, through fierce market competition, that the axiom "no riches to the idle" must be augmented by another axiom - "no victories without technology." In recent years, the township enterprises in the developed areas have been major buyers on the technology and talent markets. However, from an overall standpoint, the technological level of township enterprises is highly imbalanced. Thus, it is vital that township enterprises shift

their economic development into a channel of reliance on scientific and technological progress. Specifically: newly established enterprises must hold fast to high standards, while avoiding the proliferation of low technology; long-established enterprises must improve their technological renovations and turn over a new leaf; and conditions permitting, enterprises should strive to be involved in certain products engaging new high technology. Granted, different areas may have different needs.

Second, we must rise to a new level in the area of ownership system mix and the concomitant forms of implementation. Generally, township enterprises operate subject to collective ownership or regional ownership. The operating forms are numerous, and include household management, joint household management, and private management. All have their own superiorities and unique features. Compared to the current state-owned enterprises, these forms look remarkably vital. Yet, they have drawbacks as well. Primarily, they bear the mark of the people's communes. Under so-called principles of village ownership of that which the village operates and township ownership of that which the township operates, government and enterprise duties are not yet fully separated. The stock cooperative system that has, in recent years, been advanced is usually designed for the concentration of capital, while relations involving property rights remain fairly obscured. When this is measured against market entities required by the socialist market economy, numerous discrepancies appear. Hence, a similar requirement exists for looking into the forms of implementing the ownership system. We must consider separating the township enterprises from the townships in which they operate. We must stop talking in terms of township management and village management, and instead, talk about "rural industry" and joint venture enterprises carrying out their operations "without higher supervision." Only in this way is it possible to further achieve autonomous management, self-restraint, and to become truly independent commodity producers and managers.

Third, we must rise to a new level in the area of enterprise organizational mix. On the surface, township enterprises remain, for the most part, isolated and scattered about. They have not yet lost their traditional defining traits of "small and complete, small and chaotic, and small and unsophisticated." Today, as we stress accelerated growth, these traits tend to grow rather than diminish. Thus, we definitely must resolve to get organized. We must bust through the administrative, regional, industrial, and ownership system barriers of division, and instead build consolidated companies of different forms and scopes, strive for specialization, and achieve results of scale by lowering transaction costs.

Fourth, we must rise to a new level in the area of internal enterprise management. Varying degrees of management problems currently exist in township enterprises. For example, different sets of accounting books are widely kept for external versus internal use, and this creates an

accounting nightmare for the enterprises. Major rectification and conscientious improvement is required. Enterprises must set up rational and modern account management systems and fortify basic work. In general, township enterprises have set out from the realities in their labor, personnel, and wage systems, and have achieved a level where employees can enter and exit the enterprises, where cadres are promoted and demoted, and where wages go up and down. However, compared to modern enterprise standards, work remains to be done in the areas of standardization and perfection. There is much potential that township enterprises can tap by developing good traditions and studying scientific management.

Fifth, we must rise to a new level in the area of our regional compositions. Township enterprise growth has been hindered by administrative divisions. We have witnessed one hundred townships screwing in the light-bulb and another one hundred villages turning on the light switch. Everywhere there has been an excessive scattering of effort. As a result, our compositions have seen a levelling effect, hindering further development and improvement. We now must take appropriate steps to combine superior mixes in a planned way, adjusting compositions and moving from a state of excessive dispersion to one of relative concentration.

Finally, we must rise to a new level in the area of opening up to the outside world. In moving from the "three on-sites" to having a foothold in the province and within China and then out into the world, township enterprises, and particularly those in the coastal region, have made new, noteworthy achievements and have won the appellation of the "second new force." Hundreds of thousands of workers in the Pearl River Delta are engaged in the "three forms of import processing, compensation trade, and over one-quarter of the township enterprise production in southern Jiangsu Province is sold abroad. However, there remain such problems as low quality, poor results, and a trend of composition levelling that need improvement. Certain counties (and cities) in the southern area have upgraded "three forms of import processing, and compensation trade" enterprises into joint venture enterprises with a new twist, and their experiences are worth studying and disseminating. Also, we must look closely at the numerous townships and villages that are operating development regions. Some of them lack good conditions for doing this, and they waste lots of investment capital and land. Next year China regains its status as a treaty signatory to GATT. This presents both an opportunity and a challenge, and township enterprises must prepare early to deal with this.

#### **Commentary on Township Enterprises Facing Criticism**

93CE0226B Beijing ZHONGGUO XIANGZHEN QIYE  
BAO in Chinese 7 Dec 92 p 1

[Commentary: "Do Not Fear Criticism"]

[Text] Let us not fear criticism. Since we are not saints, how can we expect to be perfect? Yet, for many years

there has been a prevailing mood that has caused township enterprises to engage in internal criticism and self-criticism, and in turn, this has made it hard for them to accept criticism from outsiders. The main fear stems from the fact that, in the days when the planned economy dominated the country, township enterprises, jealously guarded their hard-won little territories, and were susceptible to massive social currents much larger than themselves. Every sort of crazy charge has been levelled at township enterprises, they have been the victims of more muck than they can stand, and so now there is a prevalent feeling that self-criticism should be avoided lest it give anyone an excuse to begin again.

To be sure, when the market economy was regarded as capitalistic, township enterprises, as products of the market economy, were implicated in the indictment. In those days, whenever capital was short, the economy got out of whack, or markets slumped, township enterprises were the preferred scapegoats. Yet, it was precisely under those conditions that township enterprises refused to slow down or pull back. They rose to the forefront, expanding and developing beyond all expectations. Today, they account for one-third of the national economy. This tells us that township enterprises will remain undaunted through faced with bias and censure. Need they continue to fear well-intentioned "criticism?"

Do not fear criticism. Particularly after we have won huge successes and prestige, we must calmly deal with valuable criticism from all sides, rather than hiding our blemishes and shutting out the critics.

The massive tide of reform liberalization has created a starring role for township enterprises on China's political and economic stage. Since the 14th National Party Congress, township enterprises have reinforced their status as the most vital link in the market economy. On the radio, on television, and in the press, they are now the hottest topic in China. As wave after wave of accolade and glory is bestowed upon us, we cannot afford to become intoxicated and complacent. Moreover, we cannot let our successes cover up our shortcomings and we cannot relax the demands we placed upon ourselves. We should recognize that the township enterprise is a new entity, still growing and improving. Just as any new thing needs growth and perfection, so too the township enterprises must continue to work to overcome their shortcomings and to strive for perfection. The issue of environmental pollution, a current topic of public criticism, is one of those shortcomings.

As we know, not only in Guangdong or the coastal areas where township enterprises have achieved development, but in the central and western regions where township enterprises are now developing, unbridled activity and its concomitant waste of resources and pollution have led to ecological devastation that, in some cases, is quite severe. Environmental protection is one of the most important issues facing us as we near the 21st century. The consequences of ecological destruction caused by stripped and denuded resources and wanton abandonment of garbage are serious. In some cases, the damage is

irreparable. Thus, environmental protection, a major issue involving economic and social growth in addition to man's survival, is not something that we can treat lightly.

Beginning today, township enterprises must keep their focus on the broad national policy of safeguarding our nation's future; they must become more aware of environmental protection and must rigorously abide by China's environmental protection laws and policies; and they must earnestly take preventive steps so that township enterprises grow more acutely aware of environmental protection and no longer act as massive polluters.

For the sake of township enterprise progress and for the sake of the future of the township enterprises, we should courageously welcome criticism, prepare, when necessary, to uphold the truth, and make corrections to our mistakes.

### Anhui, Jiangsu Township Enterprises Develop Quickly

93CE0226A Beijing ZHONGGUO XIANGZHEN QIYE  
BAO in Chinese 9 Dec 92 p 3

[Text] At the conclusion of the 14th National Party Congress, I spent two weeks with comrades from the township enterprise department inspecting township enterprises in certain counties and cities of Anhui and Jiangsu Provinces. Everywhere we went, we found high enthusiasm among the cadres and masses and booming economies that presented us with a new picture of flourishing growth and accelerated development.

Township enterprises in Anhui and Jiangsu Provinces have worked long and hard to grow. But not until the Third Plenum of the 11th CPC Central Committee, and in particular, the promulgation of document No 4 in 1984, did township enterprises come to enjoy fairly rapid development. This year has witnessed an unprecedented wave of good fortune, with the establishment of a new order marked by the "four higher" (namely, higher speed, higher starting points, higher inputs, and higher results), the "four better" (namely, better scales, better science and technology, better export orientation, and better standards), and the "four greater" (namely, greater reform, greater liberalization, greater development, and greater improvement).

The rate of development has clearly accelerated, and concomitant improvements are seen in the economic results. From January until the end of September, township enterprises in Anhui Province achieved a total output value of 41.99 billion yuan, a 59.13 percent improvement over last year's output value for the same period. Growth in industrial output value, sales revenues, and profit taxes increased 62.9 percent, 65.8 percent, and 53.1 percent respectively. Nine counties and regions enjoyed greater than 100 percent growth. From January until the end of September, Jiangsu Province township industry achieved an output value of 174.17 billion yuan, a 64.8 percent improvement over last year's output value during the same period. Six counties and

cities enjoyed output values exceeding 10 billion yuan. Sales revenues were 55.8 percent better than those during the same period last year, and profit taxes grew by 99.78 percent, a 35 percent increase beyond the growth in output value. Province-wide, there were 46.54 percent fewer enterprises operating at a deficit compared with the same period last year, and capital turnover grew faster, which saved 9.4 billion yuan in circulating capital. Hence, township enterprise growth this year was rapid and marked by high quality and results.

The export-oriented economy grew by leaps and bounds, with a huge increase in foreign exchange earned through exports. This year, township enterprises in Jiangsu Province treated the export-oriented economy as their second leap through the breach, grabbing "the bull by the horns" to achieve economic growth. Between January and the end of September, 21.479 billion yuan in foreign trade deliveries were made, a 114.63 percent increase over last year's deliveries for the same period. There were 2,961 newly established joint venture enterprises, with 1.981 billion dollars in contracted-for capital, and 450 million dollars in actual capital. There were 22 enterprises established in outside areas, with a total investment of 15 million dollars. The export-oriented economy of Anhui Province also began to make progress. This year, 70 new joint venture township enterprises were established, with 80 million yuan of foreign capital introduced.

Investment force has intensified and technological advances are accelerating. In response to keen market competition, all regions have paid close attention to development of appropriate marketing avenues as well as products with high levels of added value and high-tech contents. This year an estimated 7,000 new items have been developed in Anhui Province with a total investment of 3.6 billion yuan. Between January and the end of August, 2.226 billion yuan was actually invested, with technological expansion accounting for 60 percent of this. In Jiangsu Province, 11.1 billion yuan in capital was invested between January and the end of September, and an estimated 15 billion yuan was to be invested by year's end. This is more than twice the amount invested last year. Wuxi and Suzhou report that technological renovations account for 70 to 80 percent of their investment, which shows a trend toward high-tech development

Project scales are gradually increasing, and we are seeing the formation of enterprise groups. In Jiangsu Province, a batch of townships have enterprises investing hundreds of millions of yuan in projects worth hundreds of millions of yuan. In both provinces, township enterprises are doing such things as consolidating, buying stock, holding sales, transferring possessions, forming enterprise groups to improve scales and standards, and a batch of enterprise groups have emerged. There are now 14 province-level enterprise groups that have been formed in Jiangsu Province, and counties and cities in the two provinces have organized numerous enterprise groups also.

Our inspection revealed that the guiding thought put forth in the State Council approved Ministry of Agriculture report of March of this year was correct in calling for "the eastern region to develop while improving, the central region to achieve both development and improvement, and the western region to improve while developing." Township enterprises in Anhui and Jiangsu Provinces have entered a new stage of accelerated development and improvement.

The main reasons that township enterprises in Anhui and Jiangsu Provinces have been able to achieve the above-mentioned successes are because they have liberated their thinking, accelerated reforms, expanded liberalization, focused on actual work, set out based on local realities, and followed their own path.

During the course of our inspections, we also were deeply impressed with the realization that the achievements made only serve to underscore the importance of maintaining a sober state of mind and of earnestly resolving problems that arise during work. These things will ensure the smooth attainment of reforms.

First, the idea of accelerating growth and improvement must be established. The rate of development in township enterprises this year was high and marked by both results and quality. We cannot allow "acceleration" and "high speed" to turn into "over-heated" and "exaggerated." We must continue to persist in thinking about accelerated development and improvement, as well as striving to attain a newer and better level. We must renew results and improvements while accelerating growth, and advance growth while accelerating improvements. At the same time, we must do a good job of nurturing mutual support, mutual advancement, and concerted development between township enterprises and agriculture

Second, we must adopt the strategy of "acknowledging disparities and advancing hand in hand." At present, the major area of disparity in economic growth levels among eastern, central, and western regions lies among the township enterprises. We must acknowledge the disparities, and while encouraging the eastern region to achieve faster and better development in the course of its improvements, we must actively support and accelerate the growth of township enterprises in the central and western regions. We must encourage areas of the eastern region to develop newer and more complex products, to build their export-oriented economies, to participate in international competition, and to make room for the shift of certain bottom and mid-level product markets made up of resource processing, labor-intensive products to areas of the central and western regions. We must see that cooperative relations marked by superior development of mutual assistance and mutual economic advantage exist between the areas of the eastern region and those of the central and western regions so that growth in the eastern region spurs on growth in the central and western regions, thereby achieving greater growth and improvement among township enterprises nationwide.

Third, we must carry out the program of "multiple gears and channels." The level of production force development in the areas of the central and western regions is fairly low. Ownership forms must be deregulated. Township operation, village (small village group) operation, united household (peasant cooperative) operation, and household (individual and private) operation of enterprises, as well as stock ownership system enterprises (including stock cooperatives), jointly managed enterprises, and joint venture enterprises are all good. Growth is not predicated solely on proportions, and results are not predicated solely on speed. Regardless of which type of economic composition is adopted, it will receive equal treatment from a policy standpoint. The "wheel" that turns the quickest will be placed at the head of the cart. At the same time, we must continue to encourage implementation of such management forms as contract responsibility and leasing, we must strongly push for growth of enterprise groups, and we must give full play to the superior features suggested by the phrase "little boats reverse course easily, while big ships weather storms well."

Fourth, we must amplify the strength of our investment. Capital shortages are a major factor that restrict accelerated growth and improvement in township enterprises. We should resort to numerous forms and channels to resolve this problem. The state should increase the scope of loans to township enterprises, and the Ministry of Finance and the State Administration of Taxation should assist in the establishment of a township enterprise development fund. At the same time, we must continue to work to accumulate capital through such channels as "risk mortgage funds, worker contract funds, factory-site banks, development districts for the attraction of business start-ups, bond issuance, introduction of foreign capital, and stock cooperatives." We should gradually free up finances in agricultural villages, allowing for the establishment of such things as people's township enterprise funds, investment companies, credit cooperatives, finance companies, and insurance companies. Capital engagement must be directed primarily toward areas of science and technology.

Reforms in the management and ownership systems must carry with them continual perfection, development, and renovation of these mechanisms, thereby giving enterprises more vitality and promoting growth of the socialist market economy.

#### **Jiangsu Township Enterprises Develop Rapidly**

93CE0259A Beijing JINRONG SHIBAO in Chinese  
25 Dec 92 p 1

[Article by Jie Tianjun: "Output Value From January to November Reached More Than 180 Billion Yuan"]

[Text] Township enterprises in Jiangsu Province have been growing rapidly since the beginning of this year, achieving the best results ever. From January to November, the industrial output value of township enterprises in the province totaled 188 billion yuan, a 74.4 percent increase over the same period last year. Profits and taxes rose by 90.7 percent, and sales income

62.2 percent. Of the province's industrial output value of 324 billion yuan at the same time, township enterprises' industrial output value constituted more than half, thus assuredly ranking first in the nation.

The foundation of Jiangsu Province's township enterprises was relatively good; they were enormous in number, and big in scale. Currently there are 100,000 township enterprises in the province, which employ 6.13 million people or so. The number of the backbone enterprises, which have over 100 million yuan in output value each, such as the Dasheng Leather Shoe Factory in Wu County, the Jianghai Condenser Plant in Nantong, the Shengze Silk Printing and Dyeing Factory in Wujiang, increased from 48 last year to 100 this year.

According to the introduction given by Vice Governor of Jiangsu Province, Yang Xiaotang, the major manifestations of the rapid development of Jiangsu Province's township enterprises are:

The export-oriented economy has been invigorated. Through active foreign investment and advanced technology, the township enterprises' technological levels and product grades achieved relatively big improvements. The competitiveness of exports increased significantly. From January to November this year, more than 3,800 joint-venture and cooperative projects between foreign firms and township enterprises were approved, constituting 60 percent of the total number of projects using foreign capital approved in the province at the same period. From January to November, 60 percent of the products purchased by foreign trade departments came from township enterprise.

The pace of enterprise group production was accelerated. Market competition made the township enterprises realize that if production is not operated on a certain scale, it is impossible to create high efficiency. Therefore, township enterprise groups that were organized by the leading enterprises based on leading products increased rapidly in number, which expanded the scale of production and operation, reduced production costs, raised economic efficiency, and boosted competitiveness in the market.

The application of technologies gradually increased. An increasingly expanding number of township enterprises have come to realize the role of science and technology to motivate the economy. The dependency on high technology and professionals has become a foundation for township enterprises to strive for greater development. The absorption of large numbers of scientific technological professionals and active training of their own technological management cadres, Jiangsu's township enterprises experienced big improvements in the quality of technologies of the enterprise as a whole, in operation management, and in the productivity level.

The division and coordination of labor based on specialized departments have become increasingly clear. The process of distributing production of primary products,

parts, and certain working procedures from the state-owned large- and medium-sized enterprises to the township enterprises helped greatly the division and coordination of socialized and specialized production, and the township enterprises' products are characterized as small products enjoying big markets.

## LABOR

### Vice Minister Urges Marketization of Labor

93CE0242A Beijing JINRONG SHIBAO in Chinese  
14 Dec 92 p 1

[Text] The establishment of a socialist market economy system has brought a gleam of hope to our labor system which has under gone decades of difficult reform. As Zhu Jiazhen, vice minister of labor pointed out days ago when he was interviewed by reporters: The key to developing and perfecting the system of socialist market economy is in a labor system that is connected, compatible and adaptable to the market economy, and that the labor system operate in the orbit of a market economy. Therefore, to marketize labor is going to be the emphasis and hope of reforming our labor system.

The basic situation of China's labor is that supply exceeds demand. There are 710 million laborers, of the 370 million engaged in agriculture there are 120 million in excess, and of the 145 million urban laborers 20 million are excess. These figures provided by Zhu Jiazhen show that the current labor situation demands that the top priority of the government's macroeconomic management is to solve employment problems. Therefore, in reform, we should not only solve the problems of many implied lay-offs, over-staffing and poor efficiency, but also gradually improve employment. While the system of social insurance has not been established or perfected we cannot use any absolute measure but try to work step by step to balance the hiring of labor and optimizing employment.

On the basis of analyzing China's current situation, Zhu Jiazhen believes China's 106 million state employees are the target of reform and participants in reform, and their support and involvement will decide the success or failure of this reform. Through reform we will not only eliminate the life-time guarantee of the iron rice bowl, but also try not to harm these employees' general benefits. At present, the key to labor reform is to achieve a successful change in the main employer. In the past, the state was the main factor in an employment relationship and employees or cadres in state owned enterprises were employed for life. Now the change we want to make is for enterprises to be the main employer, their employees be given freedom of choice and contractual relationship between enterprises and their employees. So, at present, the most important issue is to grant enterprises decision-making power of employing and assigning their employees, making enterprises real, independent legal entities, which operate and finance autonomously.



According to our understanding, the Ministry of Labor, in order to adapt to the above-mentioned changes, will not give instructive plans of employment to those enterprises which have joined the reform, the Ministry of Labor will shift its function to an emphasis on serving and monitoring. Meanwhile, throughout China, the Ministry of Labor will make efforts to promote the establishment and development of the labor market, and will take charge of setting up market regulations, monitoring and service system. First, regarding market rules and regulations, the Ministry of Labor has established the employment contract as the basic principle of labor market, in accordance with regulations of the State Council; for market monitoring, a certification and arbitration system of labor contracts has been established and improved. As for labor market service, applications registrations and job recommendations have been wide-spread, job training and transfer training have been in constant development. Unemployment insurance is continuously improving. From now on, the basic goal for our labor market and its employment service industry is to fully explore and wisely use our labor resource, strengthen our market function, and form a new employment structure in which the state gives general input, while enterprises are the decision-makers in employment, and individuals compete for employment, with macroeconomic management from the state, over-all coordination between rural and urban areas and services supplied by all of society.

From now on to better serve employment, we will continue to consolidate and develop job recommendation offices run by local labor departments; we will consolidate the current job training bases, expanding new bases so that we will have 3,000 job training centers with a capacity to train 3.5 million people, with a post-training employment rate of 90 percent; we will expand the range of unemployment insurance, developing an insurance system for all cities and towns, covering also employees in state-owned enterprises and Chinese employees in foreign enterprises.

Of course, Zhu Jiazhen did not avoid mentioning many difficulties facing our labor system reform when talking about the future path of reform. The traditional concept formed under a long period of the iron rice bowl system is still hindering reform. Statistics show that from last year to the end of this June, there were 215,000 surplus laborers, which is more than the total of the past four years. But in the first half of this year, among the 115,000 surplus staff in enterprises, only 1,169 people, 1 percent of the total were let go, while the majority of surplus staff were absorbed by factories themselves and waiting for employment within these enterprises. The reason for this phenomena is that many people do not have the courage and vision to leave their old enterprises, besides that we stressed absorption within the business as major measure and social arrangement as a supplement, as well as a imperfect system of social insurance. Therefore, in reform, we should not only establish a system of competitive employment, but also a mechanism of unemployment protection, which needs to be guaranteed by a perfect social insurance system.

## TRANSPORTATION

### Eight New Air Routes To Be Opened in East

*OW2302120493 Beijing XINHUA in English  
1111 GMT 23 Feb 93*

[Text] Shanghai, February 23 (XINHUA)—China's civil aviation departments in east China recently announced they will open eight new air routes in the area as of the end of March.

Officials from the East China Civil Aviation Bureau said that the new routes include the following: Ningbo-Changsha, Nantong-Beijing, Nantong-Nanjing, Yantai-Xian, Hefei-Xian, Hefei-Harbin, Hefei-Fuzhou and Xiamen-Luoyang. Six of these 12 destinations are provincial capitals.

The longest route will run from Xiamen in coastal Fujian Province to Luoyang in central China's Henan Province, which measures 1,450 kilometers. The shortest route, 150 kilometers long, is the Nantong-Nanjing line in Jiangsu Province.

### Guangxi Sets Up Southern Airline Company

*HK2302094893 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1150 GMT 16 Feb 93*

[By correspondent Pan Wenchu (3382 2429 3069) and reporter Yang Xiaoshan (2799 1420 1472)]

[Text] Nanning 16 Feb (ZHONGGUO XINWEN SHE)—The ceremony for initialing the contract establishing the Guangxi Airline Company Limited was held here yesterday.

Guangxi Airline Company Limited is an enterprise of partnership between the Southern Aviation Company and Guangxi Sizhuang [2448 1104] Shareholding Company Limited, with a planned investment of 187.5 million yuan, of which the former accounts for 60 percent, and the latter 40 percent. Based on the principle of sharing risks and interests, the two sides plan to import two small aircraft from Canada in the upcoming June, and will pioneer the Nanning-Beihai, and Nanning-Tianyang air routes in Guangxi. Three large Boeing passenger planes will then be imported in July; by 28 September, another 14 domestic air routes will have been opened, with 37 weekly scheduled flights. The company will develop to owning 10 planes, with international air routes gradually opened.

Chairman Cheng Kejie of the Guangxi Zhuang Autonomous Regional Government and general executive Yu Yanan [0060 1693 1869] of the Southern Aviation Company attended the initialing ceremony at which Cheng Kejie said, the organization and founding of Guangxi Airline Company Limited is to add a bridge in the air for building Guangxi into a passage leading the great southwest out to the sea, thus creating sound conditions for expanding opening up, improving the investment climate, and developing an export-oriented economy.



## AGRICULTURE

### Ministry of Agriculture To Adopt New Reform Measures

*HK2302124793 Hong Kong CHING CHI TAO PAO in Chinese No 7, 22 Feb 93 p 23*

["China Economic News" Column: "Agricultural Ministry Adopts New Measures for Opening Up"]

[Text] To accelerate the development of agriculture in line with high output, good quality, and high efficiency, the Ministry of Agriculture recently set out some new measures for expanding the industry's opening up:

1. Agricultural enterprises and enterprises in townships and towns where conditions are mature are authorized to operate imports and exports in foreign trade.
2. An agency system is to be implemented for exports of farm and sideline produce.
3. Exit restrictions for people engaged in export-oriented agriculture are to be lifted to encourage peasant entrepreneurs to participate directly in international competition.
4. With the exception of passive quotas, restrictions over export quotas are to be lifted.
5. Policies will be relaxed and farm workers will be organized to initiate farming, breeding, and processing industries overseas, especially in neighboring countries, and their products will be marketed in those countries.
6. International exchanges and cooperation in agricultural science and technology are to be actively unfolded by taking the initiative in our own hands, fine breeds and advanced technology are to be imported, and scientific operational and managerial ways of funding developed.

### Chen Junsheng on Grain Purchasing System

*OW2302131493 Beijing XINHUA in English 1204 GMT 23 Feb 93*

[Text] Beijing, February 23 (XINHUA)—China is to set up a protective grain purchasing system to protect farmers' interests, according to Chen Junsheng, a state councillor.

The establishment of the price protection system aims to help farmers recover costs and retain normal profits when grain prices are unfairly affected by fluctuations in the market.

But the state can only offer protection prices for grain ordered or purchased by the state as reserve grain, the official said, because of the limitation of the state financial power.

Other grain products are still under the governing of market needs, according to Chen.

The official said that the state will provide farmers with more favorable policies, which include the establishment of a farm risk fund and a reduction in tax rates on certain farm products.

The risk fund consists mainly the subsidies to the grain sellers by the central and local governments. [sentence as received] It is used to make up for the losses for farmers when the grain prices are dragged down by an excessive market supply.

To promote grain sales, the state has also urged grain buyers to work carefully on the purchase contracts with farmers before production in order to set a more reasonable purchasing price.

Rapid rises in the price of farm equipment in recent years have also created widespread complaints among agricultural workers and have greatly affected farmers' initiative to produce grain.

The state councillor called on local authorities to straighten out the circulation order of farm equipment and set price limits on sales of farm-use materials. Chen demanded that local authorities crack down on those who hurt farmers' interests by purposely driving up prices or by selling fake products.

Because of unfair policies on agriculture in recent years, farmers have become reluctant to produce grain; farmland in some areas of the country has been abandoned.

It is time for the state to pay attention to farmers' interests and bring their initiative in grain production into full play, the official stressed.

### Rural Observation Office Reports on Rural Income

*93CE0244A Beijing NONGYE JINGJI WENTI [PROBLEMS OF AGRICULTURAL ECONOMY] No 11, 23 Nov 92 pp 9-12*

[Article by Sun Zhonghua (1327 0022 5478): "New Economic Situation Faces Peasant Households; Survey and Analysis by the National Rural Observation Office"]

[Text] The peasant household is the basic building block of rural microeconomic activity. The situation of peasant household production and business activities to a large extent reflects the basic state of the rural economy. An on-going survey of 25,066 peasant households by the National Rural Observation Office in 1991 indicated that peasant household income rose relatively rapidly, mainly due to the development of nonagricultural industry. Planting slumped and edible grain output fell. It was primarily increased inputs that enabled peasant household income to increase; economic benefits fell, and peasant household economic development ran into serious new obstacles.

### I. Total Peasant Household Income Increased Relatively Rapidly Primarily Due to the Development of Nonagricultural Industry

Total peasant household income is an aggregate indicator and reflects all the income derived by a peasant household from its production, operations, and service activities (before subtracting expenses). The account ledgers from more than 25,000 peasant households indicate that the average peasant household took in 5,001 yuan from operations, which was 372 yuan and 8 percent

higher than in 1990. This growth rate was 6.2 percentage points higher than the 1.8 percent growth achieved in the previous year, which means that total peasant household income from operations in 1991 had begun to escape the doldrums of the previous year.

Rapid growth of nonagricultural industry was the main cause of growth in total peasant household income from operations. Average nonagricultural income per household in 1991 was 1433 yuan, which was 254 yuan and 21.6 percent higher than in 1990. Nonagricultural income accounted for 68.4 percent of total income

growth. Further breaking down the figure for nonagricultural income, income from commerce, food, and service industries grew 32.1 percent over the previous year and accounted for 26.1 percent of total income growth, more than any other sector. Income from the freight hauling industry grew 21.6 percent and accounted for 19 percent of total income growth, ranking second place. Industrial income grew 15.9 percent and accounted for 16.6 percent of total income growth, taking third place. Income from the construction industry grew 33.1 percent, but because the base number was low to begin with it only accounted for 5 percent of total income growth (see table 1).

Table 1. Changes in Peasant Household Income, 1989-1991 (average per household)

item	1989 (yuan)	1990 (yuan)	1991 (yuan)	growth rate between 1989 and 1990	comparing 1990 to 1991		
					growth rate (%)	amount of increase	
						absolute value (yuan)	percent of growth accounted for (%)
total household income	4549.2	4629.4	5001.1	1.8	8.0	371.7	100.0
1. income from planting	2150.1	2288.4	2334.4	6.4	2.0	46.0	12.4
2. income from forestry	94.1	88.1	110.1	-6.4	24.9	22.0	5.9
3. income from livestock	953.3	955.9	985.3	0.3	3.1	29.4	7.9
4. income from fisheries	109.1	118.0	138.1	8.2	17.1	20.1	5.4
5. income from industry	460.7	387.0	448.6	-16.0	15.9	61.6	16.6
6. income from construction	63.1	55.9	74.4	-11.4	33.1	18.5	5.0
7. income from freight hauling	299.1	270.2	340.6	-9.7	26.1	70.4	19.0
8. income from commerce, food, and service industries	263.3	302.0	399.1	14.7	32.1	97.1	26.1
9. other income	156.4	163.9	170.5	4.8	4.0	6.6	1.7

Relatively rapid growth of nonagricultural industry resulted in a decline in the percentage of total peasant household income accounted for by agriculture, and a corresponding rise in the percentage accounted for by nonagricultural income. In 1991, nonagricultural income accounted for 28.7 percent of total income, up 3.3 percentage points from the previous year, while agricultural income accounted for 71.3 percent of total

income, down 3.3 percentage points from the previous year. Commerce, food, and service industries accounted for more of this figure than any other nonagricultural sector, accounting for 1.5 of the additional 3.3 percentage points alluded to above. Planting accounted for 2.7 percentage points of the 3.3 percent relative drop in agricultural income, more than any other agricultural sector. These changes are detailed in table 2.

**Table 2. Structure of and Changes in Peasant Household Income (average per peasant household)**

item	1990 (%)	1991 (%)	percentage increase or decrease
total household income	100.0	100.0	-
1. income from planting	49.0	46.7	-2.7
2. income from forestry	1.9	2.2	0.3
3. income from livestock	20.7	19.7	-1.0
4. income from fisheries	2.6	2.7	0.1
5. income from industry	8.4	9.0	0.6
6. income from construction	1.2	1.5	0.3
7. income from freight hauling	5.8	6.8	1.0
8. income from commerce, food, and service industries	6.5	8.0	1.5
9. other income	3.5	3.4	0.1

Nonagricultural peasant household income rose relatively rapidly in 1991 after having dropped the previous year, so to a certain extent it was a matter of recovering its old level. The observation report from the previous year noted that, under the impact of improvement and rectification, nonagricultural peasant household income dropped 5.1 percent. Of the 254-yuan jump in nonagricultural peasant household income in 1991, about one-fourth was offset by the decrease from 1989 to 1990. Although, from an overall perspective, nonagricultural peasant household income escaped the trough it was in during 1990 and exceed its 1989 level, there were some household industries which were still 2.6 percent below 1989 levels (see table 1).

We must also be aware that the relatively rapid growth of nonagricultural peasant household income does not mean a great increase in the number of households involved in nonagricultural production and operations; it was mainly due to an increased scale of operations. An analysis of employment distribution in all the households surveyed indicates that 32.7 percent of them were involved in construction, freight hauling, commerce, food, and service industries, a mere 1.4 percentage points higher than the previous year. Peasant household employment distribution and changes therein are detailed in table 3.

**Table 3. Structure of and Changes in Peasant Household Employment Distribution**

item	1990 (%)	1991 (%)	percentage increase or decrease
all surveyed households	100.0	100.0	-
1. those with income from planting	96.1	96.0	-0.1
2. those with income from forestry	25.2	24.8	-0.4
3. those with income from livestock	86.0	84.6	-1.4
4. those with income from fisheries	9.6	7.8	-1.8
5. those with income from industry	10.0	10.3	0.3
6. those with income from construction	3.9	3.9	0.0
7. those with income from freight hauling	5.9	6.3	0.4
8. those with income from commerce, food, and service industries	11.5	12.2	0.7

Note: Peasant household employment distribution is expressed here as a percentage of the total number of surveyed households that have income from the industry in question.

Because only 32.7 percent of the households surveyed were involved in nonagricultural production and operations, it was primarily these households which accounted for the 8 percent average growth in total peasant household income in 1991. For the majority of peasant households not involved in nonagricultural activities, income growth was far lower than 8 percent. For example, the total income of peasant households which were primarily involved with planting (but might still have been involved in other industries) was 4 percent higher than the previous year.

## II. Lower Production of Edible Grains, Lackluster Agricultural Production

Agricultural production (especially planting and livestock, which are based mainly on the production of edible grains) represents the main mode of production for the great majority of peasant households. Out of all the households surveyed in 1991, 96 percent engaged in planting and 84.6 percent raised livestock. Planting and livestock accounted for 66.4 percent of average household income in 1991, far more than any other activity. The state of agriculture directly reflects how production and operations are going for the great majority of rural

households. Our survey indicates that edible grain production and yields decreased in 1991, and the growth of income from other major agricultural products also declined precipitously. Agricultural production is in a general state of decline.

As edible grain production has declined, grain prices have continued to fall. The previous year's report noted that in 1990 total production increased rather sharply while the increase in yields was not so great, and both production and yields went down in 1991. Average grain production per household in 1991 was 2543 kilos, down 3.9 percent from the previous year. Yield per mu declined 6.6 percent from 297 kilos to 278. Although decreased grain production was related to natural disasters suffered by some rural households (flooding in the south), it is much more closely connected with an economic environment that became more hostile to grain production (note in particular the continuing fall in grain prices). Report data from three consecutive years

indicate that the average price of grain fell in both 1990 and 1991. The average price per kilo of grain sold by households surveyed in 1989, 1990, and 1991 was, respectively, 0.66 yuan, 0.61 yuan, and 0.59 yuan. The average price was 0.05 yuan lower in 1990 than 1989, and 0.02 yuan lower in 1991 than 1990. This calculates to a cumulative 0.07 yuan, or 10.6 percent, drop. Two consecutive years of falling grain prices lowered average household income by 105.9 yuan. In addition to falling grain prices, grain planters have been plagued by the difficulty of selling grain and the fact that little success has been had in controlling rising prices for the means of agricultural production. In the face of an economic environment ever more inhospitable to grain production, the enthusiasm of peasants for planting grain has weakened, and grain field management has been relaxed. Data from the report indicate that the average number of work days spent per household on grain production in 1991 fell 5.7 percent (see table 4).

**Table 4. Changes in Grain Production Per Household, 1989-1991**

item	1989	1990	1991	increase/decrease from 1989		increase/decrease from 1990	
				absolute figure	relative figure (%)	absolute figure	relative figure (%)
total grain production (kg)	2536	2645	2543	109	4.3	-102	-3.9
yield (kg/mu)	261.4	297.2	277.6	35.8	13.7	-19.6	-6.6
grain price at sale (yuan/kg)	0.66	0.61	0.59	-0.05	-7.6	-0.02	-3.3

Although income from cash crops and the fruits/silk cocoons/tea category has continued to grow, the rate of growth has greatly slackened. With grain prices falling and economic benefits from grain planting on the decline, peasant households have been forced to readjust their production behavior, which within the category of planting has meant increased production of cash crops and the fruits/silk cocoons/tea category. The number of work days devoted to production in these two categories in 1991 increased, respectively, by 8 and 9.8 percent, while material and cash inputs increased by 16.5 and 27.5 percent. This enabled production in these two categories to grow, respectively, at rates of 7.6 and 21.8 percent. Nevertheless, these growth rates were 14.1 and 38.4 percentage points lower than the 21.7 and 60.4 growth rates [as published] posted in the previous year.

Income from forestry and fisheries grew rapidly, while income from livestock remained flat. Average income per household in 1991 from forestry and fisheries grew, respectively, by 24.9 and 17.1 percent. These figures, respectively, were 30.3 and 8.9 percentage points higher than those for the previous year. Although these growth rates were relatively high, they did not do much to raise peasant household income because they accounted for less than 5 percent of total peasant household income. Income from livestock production, which accounts for about 20 percent of total peasant household income, was

still flat in 1991, growing only 3.1 percent from the previous year. Average pork sales per household (pork is the primary type of livestock product) were 1.2 percent higher in 1991 than the previous year, yet income from sales actually declined 0.6 percent. The price of pork dropped 0.08 yuan/kg. (Changes in income from forestry, livestock, and fisheries are detailed in table 1.)

### III. Inputs Exceed Output, Economic Benefits Decline for Peasant Households

Observation data from 1991 indicate that while total peasant household income rose relatively rapidly, so did costs, and the latter in fact rose much more quickly than the former, which led to decreased economic benefits (in this article, this term refers to benefits from funds) for peasant households. In particular, grain production reached a crisis state of negative marginal benefits.

Peasant households have increased production inputs, and costs have risen sharply. Average costs per household (referring to production-oriented material inputs) in 1991 came to 1979 yuan, an increase of 251 yuan (14.5 percent) over the previous year. Except for livestock, costs in every other agricultural sector increased by more than 10 percent. Although higher prices had something to do with increased costs for peasant households in 1991, this was not the main factor. Information from the State Statistical Bureau indicates that the price

index for the means of agricultural production only rose 2.9 percent, so higher overhead mainly took the form of expanded production inputs, especially in nonagricultural industries. Nonagricultural industries accounted for 58.8 percent of increased peasant household costs in 1991. The expansion of production inputs in 1991 by

peasant households stood in sharp contrast to the previous year, and shows that the investment climate for peasant households, especially in the area of nonagricultural industries, has improved. Costs for peasant households in the past two years, and changes therein, are detailed in table 5.

**Table 5. Rising Costs for Peasant Households, 1989-1991 (average per peasant household)**

Item	1989	1990	1991	Increase from 1989 to 1990 (%)	Increase from 1990 to 1991 (%)
total household costs	1828.5	1728.8	1979.3	-5.5	14.5
1. costs from planting	621.7	642.9	709.9	3.4	10.4
2. costs from forestry	7.2	8.4	12.8	16.7	52.1
3. costs from live-stock	572.3	565.7	587.7	-1.2	2.29
4. costs from fish-eries	40.3	43.8	62.9	8.7	43.6
5. costs from industry	294.1	219.6	263.0	-25.3	19.7
6. costs from con-struction	22.8	11.4	29.1	-50.0	55.8
7. costs from freight hauling	141.2	119.3	170.7	-15.5	43.1
8. costs from com-merce, food, and service industries	94.9	90.5	120.2	-4.6	32.8
9. other costs	34.0	27.1	32.0	-20.3	18.0

Because costs grew faster than income for peasant households (14.5 percent to 8 percent), net income per yuan of cost (cost minus income) declined from 1.68 yuan in 1990 to 1.53 yuan in 1991, thus benefits from funds

dropped. Net income dropped slightly in livestock farming, industry and commerce, food, and the service industries, but dropped sharply in every other category (see table 6).

**Table 6. Changes in Net Income Per Yuan of Costs for Peasant Households, 1990-1991 (unit: yuan)**

Item	1990	1991	Increase or decrease from 1990 to 1991
overall net household income per yuan of costs	1.68	1.53	-0.15
1. planting	2.56	2.29	-0.27
(1) crops	2.51	2.22	-0.29
a. grain crops	2.50	1.90	-0.3
b. cash crops	3.37	3.04	-0.33
(2) fruits, silk cocoons, tea	3.29	3.10	-0.19
2. forestry	9.49	7.61	1.88
3. livestock	0.69	0.70	0.01
4. fisheries	1.69	1.20	0.49
5. industry	0.76	0.71	0.05
6. construction	3.9	1.55	2.35
7. freight hauling	1.26	1.0	0.26
8. commerce, food, and service industries	2.34	2.32	0.02
9. other costs	5.05	4.33	0.72

Marginal costs exceeded marginal income in 1991 for grain production, which is a very important part of peasant household operations. Average costs per household for grain crops increased by 33.9 yuan from 1990 to 1991, while income from grain crops not only failed to increase, but in fact fell 37.3 yuan, which computes to a

marginal benefit of -1.1. In other words, every additional yuan of overhead lowered income by 1.1 yuan. Peasant households gained no commensurate compensation for increased inputs in grain production in 1991 because of decreased production. This means that grain production is facing a grave crisis in the area of economic benefits.

**New Educational Reforms at College Level**

93CM0152A Beijing GUANGMING RIBAO in Chinese  
31 Dec 92 p 1

[Text] Since the beginning of this year, China has accelerated reform and opening up; in a wave of swift economic construction, universities and colleges also made greater progress in reform. "Reduce the bureaucracy, extend administrative powers to lower levels, and boost vitality," are the experimental points in reform of the college management system and the overall system inside colleges. At the same time universities and colleges under commissions, ministries and local governments launched this reform, they opened a new path for overall reform in more than a thousand universities and colleges in China.

According to analysis of the people concerned, the reasons for the greater progress in college reform this year are: The proposal of a new socialist market system made the old higher education system that was based on the rigid planned economy hard to cope with the new situation. The educational system must undergo a fundamental reform. Following the rapid development of our economy, demand for talented people and technology in all trades increased tremendously; the slogans such as "science and technology promote agriculture, talent promotes the market" demand that universities and colleges cultivate more talent and make more contributions to society; compared with other trades in the society, universities and colleges have a series of problems and difficulties of their own, such as a serious lack of funds, low salary and benefits for faculty and staff, rigid policies, and lack of vitality; all these brought a sense of urgency to college reform.

The priority of college reform is to improve the external management environment and conditions for managing colleges. Many ministries, provinces and municipalities, based upon their own reality, implemented a series of important reforms on college management system, such as reducing the bureaucracy, extending administrative powers to lower levels, improving the investment system, running colleges together with enterprises, ministries, and local governments, which aroused the enthusiasm of universities and colleges for better management. Of the 12 universities belonging to the Ministry of Energy Resources, two general electric power institutes implemented joint management with a group of enterprises in the field, and five electric power colleges also joined the group. The Ministry of Agriculture proposed to the universities under them a model for managing universities, that is "one university, many systems." The ministry and provinces run some agriculture universities together; they share investment and benefits together.

To cooperate with the rapid development of the economy and the Pudong District, Shanghai proposed the new path of making enlivening schools the core, transforming the mechanism the focal point, and implementing cooperative reforms to make universities and colleges comparatively independent, vital, and face the needs of society and the market. The reform includes three stages: small cooperation,

medium cooperation, and large cooperation. Small cooperation refers to management reforms in universities and colleges. Medium cooperation has two aspects. One is to change the function of government departments responsible for education, extending administrative powers to universities and colleges, and establishing a reasonable relationship between the government and universities so as to make universities comparatively independent. Second is to reform the enrollment and employment systems, and use this as an important breakthrough for education to face the transforming mechanism. Large cooperation is to combine college reform with political, social and economic reforms, as well as the reforms on personnel and allocation systems, so as to make college reform coherent with social reforms. Beijing quickened the readjustment of municipal universities and colleges; it reorganized the original 16 universities and 26 institutes into 11 universities and 14 institutes and gave them great support in their budgets.

In July this year, the State Education Commission promulgated "Some suggestions on developing in depth reform of universities and colleges belonging to the State Education Commission and extending administrative rights," and made the decision to transfer to universities 16 rights concerning the adjustment of courses, enrollment, salary, administrative structures, and personnel management. The decision had great impact on universities and colleges and was welcomed.

While the external environment of the universities and college is continuing to improve, the comprehensive reforms on the management system inside universities and colleges is also speeding up under the strategic plan of the departments concerned, and making progress in every aspects such as administration, course construction, faculty training, and university-owned enterprises.

In September 1991, the State Education Commission designated Dongnan University and Nanjing University as pilot projects for internal management reform. In January this year, the State Education Commission extended the pilot projects to nine more universities such as Qinghua University, Zhejiang University, Nankai University, Tianjin University, Shanghai University of Transportation, Huadong Institute of Chemical Engineering and Northeast Normal University. Today, the internal reform in those universities have made remarkable achievements. Qinghua University divided its faculty and staff into different groups and applied the different methods of management to each; it divided the 8,200 faculty and staff members, engaged in teaching, basic research, administration and management, and support management; into personnel engaged in applied research and technology development; personnel for science and technology, and industry departments; and personnel for logistics departments. After a series of cooperative reforms, the overall financial resources of Qinghua University increased considerably. Northeast Normal University made a breakthrough in reducing organizations, reduced administrative personnel, and improved work efficiency. This year, the university reduced the working units at the department level from 27 to 24, and almost one-third of the working units at the section level. Shanghai University of Transportation

took developing university-run industry as an important strategy to revitalize the university, and made a breakthrough under the circumstances of insufficient financial resources, difficult administration, over-staffing, formed a self-accumulation mechanism, and greatly supported teaching and research at the university.

Recently, some ministries, provinces and cities have started internal system reform in universities under them. In June this year, the Ministry of Culture designated Shanghai Opera Institute as a pilot project

for comprehensive reform, and in the first three years of reform they will support them with an extra 450,000 to 550,000 yuan to help them with the start. This institute introduced the competitive mechanism into reform, and implemented the contract system based on assigned positions, assigned jobs and assigned responsibilities. The Ministry of Commerce also gave active support to and cooperation with reform of the internal management system in Hangzhou Business Institute.



**Aircraft Maintenance Sector Expands Business***OW2202015793 Beijing XINHUA Domestic Service in Chinese 0558 GMT 4 Feb 93*

[By reporter Sun Maoqing (1327 5399 1987)]

[Text] Beijing, 4 Feb (XINHUA)—The aircraft maintenance industry of the Chinese Air Force is marching toward the international market. Thus far, the Air Force's aircraft maintenance sector has established trade contacts with aviation departments in more than 30 countries and regions, including the United States, France, Russia, Pakistan, and Hong Kong. Its trade volume hit a record \$8 million or more in 1992.

With its rich scientific and technological strength and advanced instruments and equipment, the aircraft maintenance department under the Air Force is able to compete on the international market. It has been learned that the areas of business between the Air Force's aircraft maintenance sector and foreign countries include: repairing, reinforcing, and refitting airplanes and aircraft engines; exporting aircraft maintenance, examination, and testing instruments, equipment, and parts; processing supplied materials, producing goods according to supplied designs and patterns, and assembling supplied parts; undertaking whole-plant construction of large, medium-sized, and field aircraft repair factories and the construction of single-item production lines; providing aviation technology and information; training personnel; transferring specialized techniques; and others. In addition, the aircraft maintenance department has also exported civilian goods to some countries and developed joint ventures, cooperative production, and compensatory trade with foreign aviation departments. In the meantime, the department has also taken advantage of business contacts to gain new knowledge and technology on aircraft maintenance and import some advanced instruments, equipment, and techniques from abroad to serve the modernization of troops.

**Fujian MD Political Department Director on Enterprises***92CM0161A Beijing ZHONGGUO MINBING [CHINESE MILITIA] in Chinese No 10, 9 Oct 92 pp 4-5*

[Article by Ren Chaohai (0117 2600 3189), Director, Political Department, Fujian Military District: "A Discussion on Furthering Reform of Enterprise Militias"]

[Text] Encouraged by the spirit of the address given by Comrade Deng Xiao-ping on his southern tour, China has accelerated its reform and opening up. The principle signs of faster reform, are the transformation of the enterprise management mechanism, and the greater vitality of enterprises, especially large- and medium-sized state-owned enterprises. This not only possesses great meaning for the establishment of a socialist economic system with Chinese characteristics, but has also created a new moment of opportunity for the reform, and development of enterprise militia work. I believe

that, in this new state of affairs, we should observe the following principles in furthering reform of enterprise militia work:

**Appropriateness** The transformation of the enterprise management mechanism, and further reform in labor use, cadre management, and wage allocation systems, will make enterprises more market-oriented, so that they become independent, self-governing, commodity producers. Actually, this is making enterprises accomplish the transition from a product economy to a commodity economy. This is a great transformation, of fundamental importance. Now that we are in the process of this great transformation, some of the thinking and concepts, organizational forms, and ways of doing things, that took shape over a long period of time, as people did enterprise militia work under the old system, are already out of step with the times. We must replace them with new thinking and concepts, forms of organization, and ways of doing things. First, we must do away with the idea that militia work in enterprises is at odds with the commodity economy. Under the product economy, enterprises did not care about economic efficiency, and were relatively indifferent to nonproductive activities. Since the transformation in the management system at enterprises, enterprises that do not care about efficiency cannot survive. The concepts of time, efficiency, and economic accounting, suddenly became more important, and carried with them temporary difficulties for militia work at some enterprises. This led to a misunderstanding. It seemed as if the conditions of the product economy were more favorable to militia work, and that transforming the enterprise system, and developing the commodity economy, was, on the contrary, unfavorable to militia work. There is no basis for this belief. It is not the case that militias exist only during the period of the product economy; nor that they can be managed well only under the conditions of a product economy. In the world at present, there are examples of militia organizations that are being very well run, even in some rather highly developed capitalist countries with commodity economies. The present difficulties and problems that appear in enterprise militia work, when it comes right down to it, are caused by our failure to adapt our work to this transformation, during the period of transition from the old system to the new. Actually, the transformation in the enterprise management system, has provided new impetus to the advancement of militia work. As the mechanism is transformed, enterprises will become much more economically efficient, and they will improve greatly in their ability to develop on their own. This will establish a solid material foundation for the development of militia work at enterprises. As the mechanism is transformed, enterprises will adopt even more new technology, develop new products, and advance scientific and technical progress. This will create the conditions for militias at enterprises to master and apply military technology. As the mechanism is transformed, and a competitive mechanism for employing workers and cadres is established, where people can be hired and fired, promoted and demoted, and an incentive income

allocation mechanism is also established, where income can rise or fall, will arouse the masses to labor with initiative, and raise the quality of staff and workers. This will, in a basic way, guarantee the quality of enterprise militias. Experience at many locations already proves that, if only we adapt to the new state of affairs brought on by the transformation of the enterprise management mechanism, then reform of militia work, and the construction of enterprise militias, not only will not decline, but will develop in a still more healthy manner.

**Comprehensiveness** It is a prerequisite to furthering reform of militia work at enterprises, that the relationship between the national interest, and the interests of enterprises, be dealt with correctly. The national interest is the sum total of what is required for the survival, and development of China as a sovereign nation. There is a direct relationship between China's national security and its survival and development. The militias, including militias at enterprises, were established to protect national security. Therefore, the establishment of militia organizations is a concrete manifestation, and a major sign, of the national interest. Meanwhile, improving the ability of enterprises to survive and develop on their own, will eventually contribute to increasing the strength of the nation in general. Therefore, it is said that, in China, the interests of enterprises are entirely consistent with the interests of the nation. After the mechanism is transformed, and the relationships among the responsibilities, rights, and interests, of enterprises are made clear, then the leaders and workers at enterprises must pay close attention to the interests of their enterprise, and to individual interests. Under these circumstances, enterprises should clearly set forth the relationships among the nation, the enterprise, and individuals, so as to prevent, and correct, the tendency to be concerned only with the interests of one's enterprise, or oneself, and to ignore the national interest, being indifferent to militia work, which embodies the national interest. We must do a good job of handling the dialectical relationship between the national interest and the interests of enterprises.

**Being Systematic** Furthering reform in militia work at enterprises is a project in systems engineering. It must both coordinate with the transformation of the enterprise management system, and also must link up with the fine tradition of enterprise militias. It must both emphasize the selection of breakthrough points in furthering reform of militia work, and also give consideration to the global problem of advancing reform as a whole. Only if we observe and study the work of militias at enterprises in terms of its own systematic structure, can we see to it that the furthering of reform in militia work at enterprises will achieve the good results anticipated. This means, to study the problems of reforming militia work comprehensively, and with precision, beginning from the systems viewpoint, and in terms of the reciprocal relationships, effects, and constraints, between militia work as a whole and its parts, and between militia work, and the external environment.

Militia organizations at enterprises are neither economic entities nor political entities. They are organizations of the armed masses, who remain engaged in production. These qualities, and special features, of the militia, require that its reform cannot be separated from the reform of enterprises, and should proceed at the same pace as enterprise reform.

**Continuity** China's militias have a glorious tradition, and a shining history. In protracted practice, during the Chinese revolution, and in socialist construction, they developed a series of fine traditions in militia work, and accumulated a fund of valuable experience in militia building.

The fine traditions of militia work, and the valuable experience accumulated serve as a type of military system and guiding principles, and manifest the special features, and class character, of militias in China, and reflect the basic interests of the masses of people. It exists not only in the form of guiding policies, principles, customs, and so forth, but also can furnish practical operations. It both comes from historical transmission, and also has been tested through practice over a long time; it is both created by the masses, and is also a standard for regularizing the behavior of the masses. The authoritative knowledge that comes out of the fine tradition and valuable accumulated experience of militia work, reflects the objective existence of a certain historical stage in militia work. Moreover, through long-term trials by practice in society, it has been proven to be correct knowledge. A body of correct knowledge, once it has taken shape, has a certain stability about it. This kind of stability is indispensable to assuring the healthful development of militia building. Furthering reform in militia work at enterprises, is a new form of self-improvement and development, as militia work adapts to the transformation of the enterprise management system, and is not a denial of the historical tradition of militia work. The only right choice is to deal correctly with the relationship between tradition and innovation. As for our fine tradition and valuable experience that reflect the basic nature and special characteristics of militia work, we must work hard to maintain it, and to make it flourish. We must also, on this basis, study new situations, solve new problems, and boldly create new experience.

**Legality** In furthering reform in militia work at enterprises, we must proceed along the path of the law. China's laws and regulations relating to the establishment of reserve duty, are a concentrated manifestation of the national interest, are the basis for doing militia work well, and for furthering reform of militia work. The "Constitution" is China's basic law, and its foundational principles are the basis for furthering reform in militia work. The "Military Service Law" is a specialized law enacted according to the "Constitution." It makes clear, in terms of law, the military service obligations of citizen soldiers, and the guiding policies, principles, and content, of militia work. It is the legal basis that must be respected in furthering militia work at enterprises. The

"Regulations for Militia Work," that took effect on 1 January 1991, fully embody the fresh experience in the reform of militia work accumulated since the Third Plenary Session of the 11th Congress of the Chinese Communist Party. They affirm, in the form of law, the status, and function, of militia work in the new era. The "Regulations for Militia Work" have the authority of law, with respect to the development, and reform, of militia work at enterprises. It must be made clear, that

China's law is a whole system. Enterprises must implement all the laws and regulations that apply to enterprises, and cannot pick and choose. During the transformation of the enterprise management system, and while furthering reform in militia work at enterprises, we must implement the "Law of Enterprises," the "Military Service Law," and the "Regulations for Militia Work," all together in combination. We cannot address one and ignore the others.

**1993 Cross-Strait Trade To Reach \$9.3 Billion**

*HK2302145593 Beijing ZHONGGUO XINWEN SHE  
in English 1326 GMT 23 Feb 93*

[Text] Hong Kong, February 23 (CNS)—Re-export trade between the two sides of the strait via Hong Kong will continue to grow this year, reaching US\$9.3 billion, almost US\$2 billion up over 1992, according to a projection by the "Ministry of Foreign Affairs" in Taiwan.

The report reviewing cross-strait re-export trade via the territory during 1992 said that such trade was valued at US\$7.41 billion, a gain of 27.6 percent over the previous year. Exports from Taiwan made up US\$6.29 billion or a 34.3 percent rise over the previous year while imports from the Mainland via Hong Kong accounted for US\$1.12 billion, 0.62 percent down on the previous year. The value of trade with the Mainland accounted for 4.8 percent of Taiwan's total foreign trade valued at US\$153.48 billion.

Most of the goods re-exported from Taiwan to the Mainland are industrial raw materials, components and spare parts, with artificial fibre yarn and cloth making up 34 percent, machinery 12 percent, plastic raw materials 11 percent and electrical machinery and electronic components and spare parts 10 percent. Goods imported from the Mainland to Taiwan include traditional Chinese medicine, cigarettes, feathers, mixed cotton fabric and semi-finished footwear.

The report predicted that re-exports from Taiwan to the Mainland via Hong Kong will be US\$8 billion this year while imports from the Mainland to Taiwan will be US\$1.3 billion. Increasing Taiwan investment in the Mainland has resulted in the growth of re-export trade across the strait and benefitted the rise in the quantity of Taiwan re-exports to the Mainland.

### Popular Support for KMT Drops

93CM0148A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 302, 24 Dec 92 p 22

[Text] Victory or defeat for either the Kuomintang [KMT] or the Democratic Progressive Party [DPP] is determined overnight by election results. But what really should be noticed is the growth and decline of popular support for both parties.

From the accompanying table, we can see that a comparison of results from 1989 and this year's elections for legislator seats, that almost 300,000 fewer voters went to the polls this year, a loss of 2.98 percent in the overall voter population. Votes won by the KMT also showed an 8.17 percent loss, which is higher than the percentage of growth in voter numbers. Obviously this shows the drain in KMT popular support.

In contrast, a look at the DPP numbers shows that even with a drop in the overall number of votes cast, the number of votes the DPP won did not drop with it. This figure rose 14.37 percent instead. Between one negative and one positive figure, the DPP's actual support grew 17.35 percent.

The KMT's support dropped 5.19 percent. The DPP's increased support did not come from the KMT's loss of 5.19 percent altogether, which shows the DPP has received votes from a new source that is neither KMT nor DPP.

**Comparison of Popular Support for the KMT and DPP**

	Total Votes Cast	Votes KMT Won	Votes DPP Won
1989 Election	9,963,076	5,478,715	2,573,678
1992 Election	9,666,020	5,031,259	2,944,195
Growth in numbers	-297,056	-447,456	370,517
Growth in percent	-2.98%	-8.17%	14.37%

### Substandard Election Politics Criticized

93CM0128B Taipei TZULI CHOUPAO [INDEPENDENCE POST WEEKLY] in Chinese No 187, 1 Jan 93 p 13

[Article by Chung Chu-p'ing (6988 4554 1456): "Dross of Election Politics"]

[Excerpt] [passage omitted] For over 40 years in Taiwan the practice of bribery in elections and the buying of votes not only have not been slowed in line with the people's intelligence and the society's opening up, but on the contrary have become more and more intense. From south to north banknotes and gifts fly all over, and day after day 100 desks are opened, thereby making an election and the buying of votes twin brothers.

It cannot be said that the change in Taiwan's society has been small, and some political scholars think that this

change provides a reliable base and place for the development of democratic politics. However, a comprehensive survey of the worsening of the election atmosphere, money politics, and political-commercial relationships makes people extremely worried about the poor growth and acquired imbalance of democratic politics in Taiwan.

In doing business and engaging in international trade, the Taiwan people are perhaps first or second globally. They learn quickly, have good minds, are full of ideas, and have a lot of courage. These were the necessary conditions for the creation of the "Taiwan miracle." On the other hand, the Taiwan people's myopia, content with temporary ease and comfort, and pursuit of immediate gain, and their mentality of being law-abiding and fatalistic, hamper their political awakening and comprehension. The malignant election culture painstakingly modeled by the Kuomintang [KMT] admittedly is a crime that cannot be pursued, but in the election "pickle jar" the Taiwan people's self-abasement, their wallowing in the mire with evil forces, and their willing acceptance of the bad habit of practicing bribery in elections are really the biggest stumbling block to Taiwan's democratic politics.

Taiwan has first-rate scientific and technological talents, first-rate institutions of higher learning, and first-rate entrepreneurial talents, but it also has unpopular politics and politicians. The reason for this is that the political system and politics are out of keeping with the times, as well as the presence of filth in election politics.

Observed from the larger angle, Taiwan's elections may be called the most unfair "democratic" contests. With the power of the entire party, entire country, and entire army, the ruling party deals with the parties out of power and the nonparty candidates. With all its power television shuts out non-KMT candidates, making them voiceless people "not of our clan."

What did this election prove about Taiwan's "democratic politics?"

### Article Explores KMT 'Vote Buying'

93CM0116A Taipei TZULI WANPAO in Chinese 30 Nov 92 p 5

[Excerpt] [passage omitted] A Taiwan colloquialism says: "Garnering votes needs no master, as long as there is money." A Beijing saying states it this way: "The golden calf is a whip which pushes everything else aside." As for vote buying, if we just look at the kind of candidates and money resources put forth by the Kuomintang [KMT] this year, we can assume it will be done in more serious proportions than in previous years. But we cannot assume that vote buying is done just because someone wants to do it. I have traveled all around to interview some big vote bosses and became "educated" on the subject of vote-buying techniques. Should we join up with these big vote bosses, we could blow the KMT down.

The language used to buy votes varies according to locality. Generally, vote-buying money is referred to as "guns" or "bullets" around Keelung and areas north of the city. In T'ao-yuan, this money is called "bombs." Farther south, it is "big fir." In Chang-hua, vote-buying money is called "pearls." In Yun-chia, "walking work"; and at P'ing-tung, "suan-tzu" or "mango." Of course these are only colloquial terms with some native flavor. However, these expressions are also used interchangeably between localities. For example, terms such as "gun," "bomb," "walking work," "blowing candy money," "new year cash," "social benefit," "tax refund," etc., are commonly used throughout the country.

Of these terms, "big fir" used at Nan-t'ou has a historic origin. The chief economic resource of the area in the early days was the timber from the fir forest growing on the central range which traverses the whole of Nan-t'ou County. Because of vote buying, the election process in Nan-t'ou County underwent a drastic change overnight. Therefore people refer jokingly to the "big cuttings of fir" rolling down the central range and flattening Nan-t'ou overnight.

The term "mango" used in P'ing-tung is the great invention of its county chief Su Chen-ch'ang [5685 6297 2490] who likes to joke. He said that all KMT candidates are mango trees. For people strong enough to shake the tree, the mangoes will automatically drop. It means that the stronger the support that the Democratic Progressive Party [DDP] candidate has, the more desperate will the KMT's vote-buying activity be.

The vote-buying process is further classified into "drizzle" and "northwest rain" stages. During the "drizzle" period, it is time for "tying the red string" or "hammering in the pile." In Kao-hsiung, this is called "tying up bones and branches" when each big vote boss is offered "forefront cash," also called "contract money." Others are offered gifts of practical value, a practice that is determined by the importance of the vote boss. For example, it was rumored in Chang-hua that someone made a gift of a BMW753 to a very influential boss. For those a little less important, a Toyota [ta-ko-ta] is the gift of choice. In Kao-hsiung, the big vote bosses are classified by some into three classes. For bosses with class A status, besides cash, an expensive watch is also given to establish a future channel for vote buying. Some candidates had a lot of money this year but lacked a support base, so they could only depend on money to get through to the people.

Gifts of practical value made by candidates during the "drizzle" period are called "accompaniments." Depending on the gifts received by the vote bosses, voters in Tainan County will give the candidates interesting nicknames, such as "alarm clock setters," "umbrella lamps," "teapot carriers," "electric heater lancers" etc. Since "present of a clock" sounds just like "attending a funeral," use of that term is not welcome. Also not appropriate is "present of an umbrella" which sounds too much like "scatter." Consequently, it is

necessary to think about the way presenting a gift sounds when it is proffered. Several KMT candidates from Tainan have a good support base. But the campaign atmosphere is unavoidably crude; since vote buying was quite prevalent in the past, a vicious cycle has been created. Another factor is last year's election for delegates to the national assembly when vote buying was quite rampant and raised the cost. In Kao-hsiung I heard a person with leftist leanings complain: "The going rate last year called for 50 to 100 yuan, but this year it cannot be done with anything less than 200!"

The "northwest rain" stage refers to the beginning of vote buying just before the election. In some localities such as Chang-hua County, it is called "flooding the paddies," meaning that once fields are flooded, the sprouts of democracy will automatically die off. It is also called "bleeding" or "prescribing a heavy dose of medicine." "Bleeding" describes the way candidates pour out heaps of currency much like they are bleeding. This is a rather apt expression, especially if he loses and possibly goes bankrupt. "Prescribing a heavy dose of medicine" is also interesting. In this case, the candidate realizes his chances of winning are slim, but once this heavy dose (of money) is given out, the color returns to his face and the patient is revived.

Because of the explosive nature of the election, each vote boss has been claimed by a number of candidates, having been "tied" with a red string. Because the vote bosses wish to distribute the votes fairly, they have to allocate them according to the amount of cash they have received. As a result, the chairman of the KMT is unable to allocate the votes. On the contrary, a delicate situation arises with the vote bosses in control. At the same time, because the candidates are each fighting for their piece of the pie, there is great confusion, and phone calls are made to the news media with all kinds of complaints. That is why each time there is an election, the KMT always say that voting should be "more impartial, more fair, and more open." This slogan has been twisted to mean the price for vote buying must be fair, delineation of the vote-buying districts must be just, and vote-buying activity must be more open and one would not be caught.

Some voting conditions are simple. Where the local politics is dominated completely by cliques, vote buying is not so rampant. For example, in 1989, in Miao-li County, when three candidates were running for the offices of county executive, legislator, and provincial delegate, they joined together to buy votes at 100 yuan per vote, which translated into each candidate spending a little more than 33 yuan per vote. This was the lowest price for votes in the nation.

In areas such as Taipei County, voting conditions are more complicated because Chao Shao-k'ang's [6392 1421 1660] participation in the race seriously affected the source of votes for other party members. The only thing to do is to intensify the vote buying to open up new sources for votes. There have been candidates in the past with good qualifications and a strong support base, but no money. If the KMT would focus its support on such

people, it would look out for them naturally. For others who are better off, the central government would show an attitude of "sharing the rain and the dew." This means that the central government would send some "rations" to express its support, which should not be taken as vote buying. But any money coming from the central government usually suffers. "Secret dipping" is done by unethical party workers and nothing is left. It is said that all such funds have been delivered personally by the secretary-general Sung Ch'u-yu [1345 2806 3842] to candidates at home.

Each time the KMT assists candidates, they must pose with the secretary general and all the candidates at campaign headquarters for pictures which are provided to the media to gain momentum. After that, the "chairman" heads off on the campaign trail like they did last year, traveling around the voting districts. That is followed by the appearance of the "premier" and the "generalissimo," the premier is the image of Sun Yat-sen on the face of paper currency and the generalissimo is that of Chiang Kai-shek on the face of thousand-yuan bills.

However, vote buying cannot be done by just anybody. Sometimes candidates do not want to be labeled as idiots. Some vote sellers will put down any old name on their ballots, or some ballots may be duplicated, and confusion results. Therefore, it becomes necessary to check the ballots, with computers where available. Candidates dread the "water diverting spigot" syndrome, where the water that should flow into their pond gets diverted into someone else's pond. This occurs when the vote boss has taken one candidate's money but helps someone else instead. Because of this, most big vote bosses are asked to have a certain amount of money to be "floated" or held in escrow beforehand, for collection after the election. Should the candidate win, collection on the "floated" amount is no problem, but for a candidate who loses and does not pay up, there may be confrontation with weapons. This explains the numerous explosions of violence that occur after elections every year.

There was a candidate from Taipei County who was afraid that the voters would not vote for him after taking his money. So, on the eve of the election, he would send out his loudspeaker equipped automobile broadcasting a last-minute appeal: "Where is your conscience? Where is justice?" as the vehicle winded its way through the voting district. He was appealing to the conscience of those who had accepted his money.

Some people use even more drastic measures. For example, the area around Chuan-ts'un is a Huang Fushing [7806 1788 5281] stronghold. There are those who will not vote personally, but because they want the candidate supported by Huang to lose, and knowing they cannot expect the Chuan-ts'un voters to do otherwise, they go into the village to buy up personal identification cards. Actually, the results would have been the same had the voters been persuaded not to go and vote.

However, in recent years, measures designed to catch this kind of vote-bribing has been stepped up, and vote buyers need to be careful and check out the situation

beforehand. Recently, the opposition party formed teams and groups to track down these bribery offenders. This year Hung Ch'i-ch'ang [3163 1142 2490] acted to "purchase vote-bribing products" in T'ai-chung, while Ts'ai T'ung-jung [5591 0681 2837] of Chia-yi put vote-buying products his group had intercepted on exhibit at headquarters. However, in some localities, such action was overdone and smacked of people obstructing gain, to which the voting public reacted to adversely.

The KMT also swore this year to go after vote buying, and provided 10 million yuan for rewards. While it is comical that a thief is chasing after a thief, it is a warning to those running for office who do not follow the rules. Because party discipline in the KMT has been increasingly lax, using the laws of the land is the only way to control the situation so the vote boss for the party candidate is not exposed. Consequently, any rule-breaking prospective candidate is frightened, and is a "sacrifice to the flag." That is why design of the "currency vehicle" is particularly elaborate. It is said that this assures elusion from the Investigative Bureau.

In some localities, vote buying is controlled by black market channels, where the buyer goes in first, followed by the black marketeer who "pawns" the votes. During election time, sandtrucks block the streets outside the polling places so that connections inside the polls would be secure. The vote supervision unit is also not allowed to take pictures for proof. A similar incident had occurred in the town of Erh-lin-chen in Chang-hua County, but no local newspaper reporter dared to report it, for fear of revenge.

For this reason, to prove that candidates have the capability to buy votes, prospective candidates must first "put down a deposit." This is a term passed down from the time that Kuan Chung [7070 0022] was the provincial KMT chairman. This term is borrowed from the gambling vocabulary, which originally called for prospective gambling participants to put down a deposit to assure that losses, if they occur, would be paid. As a result, all prospective candidates for office must show they have money deposited in the bank in excess of nine digits. Otherwise, forget it. When Hsieh Lai-fa [6200 0171 4099] first thought of declaring his candidacy, he approached a party elder to discuss costs of running in the race. He was rejected because he only had 60 million yuan to spend and a minimum of 150 million was needed. Needless to say, the discussions were broken off.

Vote buying arouses great anger and resentment among those in the democracy movement. When the DPP suffered a traumatic defeat in last year's election for seats in the Second Plenary Session of the National Assembly, it was due largely to the KMT's voluminous vote buying, and not by anything that the Taiwan Independence Party had done. However, according to the KMT, this was not the first time the KMT had done it. In the past, its vote buying was even more intensive, so can't the losers be

convinced and accept this fact? According to my view, it is because this vote-buying practice is so very rampant, that it is possible for Taiwan to engage in "two-party politics." If vote buying had not been possible this year,

and everything hinges on the quality of the KMT candidates, the KMT may be garnering a very low percentage of the votes. Should that happen, the DPP would become the major party.